THE CAUSE AND EFFECT OF MONEY.

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VALUE: The First Cause in Political Economy.

THE PRINCIPLES OF A NEW POLITICAL ECONOMY.

"To find the law by which they are regulated is to understand phenomena.

"We of the present day have already sufficient insight to know that laws of nature are not things which we can evolve by any speculative method.

"On the contrary we have to discover them in the facts and to test them by repeated observations and experiments.

"The laws of nature occupy the position of a power with which we are not familiar. Before we can say that our knowledge of any one law is complete we must see that it holds good without exception and make this the test of its correctness.

"The law then takes the form of an objective power and for that reason we call it a force. To ascertain laws we have to seek out forces which are the cause of phenomena."—*Hemholtz.*

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CHAPTER I.

THE VALUE OF MONEY.

In the ordinary transactions of business money goes from hand to hand measuring out to every one a share of the social energy of the community.

It is not material at this time to inquire into the justness of this distribution, but it is important to understand what money is doing all the time, and what is being measured.

It is value that money is measuring out, and it is value that is being constantly apportioned, and unless we understand the facts in the case, we will fail to master the principles.

There are no facts except natural daily occurrences of sun and rain, wind and weather, day and night, that are more familiar than the facts about money. But strange as it may appear there is scarcely a subject about which there is more dispute than about the functions of money.

It is the familiarity of money that has held back the truth concerning it, because the most familiar and necessary truths are latest in the order of development.

A writer on Economic subjects has wisely observed that the progress made in unfolding truth has been in proportion to its remoteness from human interests.

We have, in times past, chiefly concerned ourselves with the things that were farthest removed from our immediate welfare and from our life on this earth.

Thousands of years before men began to observe the familiar things around them they were exhausting their intelligence in fruitless controversies about the personal attributes of God and the properties of the human soul.

The dawn of modern science was the awakening of men to

truth in familiar things from which the happiness and welfare of the great mass of the people was to be secured.

But the gains and savings and increase in power resulting from the application of science are almost as nothing when compared to the gains we may expect when science is applied to our politics.

One laborer, however humble his occupation, has an intelligence which readily adapts itself to guide modern machinery and convert natural forces into social products. And the power of these natural forces, which we may direct by our common labor, is beyond our power of calculation.

When we think of idle and misplaced labor, therefore, we are apt to overlook the fact that in shutting out labor we cut off, at the same time, the forces which science calls into existence and which are in many cases at least two hundred-fold greater than the force of labor alone.

In religion, for example, the waste of social force in pulpits, churches and auxiliary expenses is almost incalculable because the work of the church is behind the times and the teaching it seeks to inculcate is too remote from human happiness.

A far away God who concerns Himself with but a few of the people, who are so fortunate as to get where He resides after they are dead, is entirely too far fetched for this age of intelligence and belongs to a time when the well-being of the common people gave the rulers of men no concern.

Thus without counting economic forces there are vast religious forces going to waste that should be exerting their power to uplift and comfort mankind.

Millions of people fail to find, in the churches, any outlet or support for the higher promptings of the soul, and other millions mistake the form and ceremony of the church for the divine essence of religion.

Only within a few years has the religious world began to stir and to realize that is was connected in some way with the economic world, and that God is nearer to us than we are in the habit of believing and somehow our daily life and happiness are in His care.

It is becoming clearer every day that the unfortunate in the world are the result of our own ignorance and of man's inhumanity to man, and the church can no longer afford to abandon

them to an antideluvian Devil and withhold from them the support and fellowship of religion.

The whole civilized world is a money getting world, to be without money is to be outside the world and beyond the pale of civilization, and to possess an abundance of money is to possess all the power that the civilization of the time affords.

If you were to select the greatest good in the world and were to be guided in that selection by the one thing above all others which people are most anxious to secure, you would select money at once.

And your belief in the goodness of money would be strengthened as you beheld the struggle on one side to get plenty of it and the distress and suffering on the other side caused by the want of it.

But we do not seek money for its own sake but for the power it gives by having other people furnish us with the results of social energy.

We want money because we want power and the value of money is the quantity of power it contains.

The value of money is therefore a definite quantity of social energy, and the value of money, differs from the value of everything else, as wheat or coal, because such value is free to be exchanged at any time for an equal value of anything else, while the value of wheat is not free but is contained in the wheat, and before we may exchange wheat for anything else we must first exchange it for the free value of money.

Money-value being a force, or form of energy, it is subject to the same laws that control other forces and thus money has limits beyond which its power stops although these limits are much wider and more diverse than any other single force, not excepting life itself.

But money is not always conceded to be a blessing, and is also known as the root of all evil, because we find the nearer we approach the fullness of our desire for money the farther away flies the happiness and the good we dreamed we might buy with it.

It is the verdict of all people who are most generously wealthy that it is a most difficult undertaking to give away money.

It is the opinion, indeed, of the men who make charity an especial study, that bounty and alms giving in any form is harmful.

It is certain that money given away to relieve distress can accomplish nothing beyond the relief of the persons directly concerned, and its secondary effects are admitedly bad not only on the giver and receiver but on society at large.

We should learn from this that another Hand from ours is playing some part in the use we make of money and that the individual we regard as all important is scarcely of any importance, a step only in the ladder of progress.

The man whom nature is seeking to introduce into the world and to bring into society is the man of the future, the man of perfect happiness and of complete intelligence, who shall be an image of God.

This failure of charity and benevolence to restore a certain degree of harmony in society is caused by a fierce antagonism from Nature who refuses to have her own plans for the diffusion of wealth set aside in favor of some cheap human makeshift.

Nature refuses to allow any charitable or benevolent compromise with her plan for the circulation of money, and if we desire to secure the benefits of a just and equal distribution of wealth we must learn the laws of its natural distribution and cease to interfere with these laws.

This becomes clear as we begin to realize the laws of value by virtue of which production and distribution takes place and by virtue of which the functions of money are regulated and controlled.

What we should see now quite clearly is that every civilized man is required to first get money before he is permitted to satisfy his desires, and we ought to realize that nature has a purpose in putting the value of money between a man and his life in society.

Surely it is not for nothing that all over the civilized world men are required to get money first and are not permitted to produce and exchange directly.

This intervention of the value of money discloses to us the plan of Nature and her method of securing the co-operation of men in carrying out that plan.

Granting that civilization means progress and progress means development toward some end and for some purpose, then we must admit that Nature is required to invent some method by which our labor, and other activities, shall be directed in the way we shall

go in order to progress, because we ourselves never know of what progress consists.

Thus by placing the value of money between men and the satisfaction of their desires, Nature solves her own problem and is able to compel men to work as she directs by holding in her hands the value of money which we must have in order to live.

An individual who desires a dwelling to be built, according to some plan, is able to secure the required labor and material because he controls the value, in the form of money, which other people require who build his house.

So Nature, in the whole world, holds value in her hands and rewards the worker as she wishes the work done and withholds value where she would discourage development.

In order to control and direct the activities of men it is a law of Nature that they must secure value first before they are allowed to think about themselves, and in this way the good for all gets in advance of the good for any.

The laws of value determine what kind of activity, and how much of every kind, is to be expended in any direction at any time, except as we may interfere with our own laws by making some property valuable that Nature would have without value.

It is the circulation of money that brings these laws of value before our eyes and enables us to see the Hand that guides us and apportions social power and enjoyment.

Getting money should be regarded as a means to some end, although that end may be so far removed from our own times as to be lost in the distance, and be out of reach of our intelligence.

Having much money may be compared to having an endless supply of meals and clothes on hand, for however essential a needful supply may be, an over supply can only become a burden.

The range of action for money is limited on either side. Beyond society among savages money is not required and a man may live a life of a low social order with little or no money.

But passing from savage into civilized life we find the necessity for money increasing as the conveniences of civilization multiply, and again we come suddenly to the upper limit.

After money supplies us with the advantages of a civilized life its functions suddenly cease and the higher life of thought is beyond its control.

We need to learn that the primary purpose of money is not for the selfish satisfaction of our own appetites but it has an office of its own in the body politic and the satisfaction we get from money must ever be secondary to its higher uses.

If we desire to secure for ourselves our proper share in the circulation of money we are required by Nature to understand this greater purpose of money, and only when we adjust our human laws to the natural laws of value may we expect the money we each receive to be a measure of the part we each perform in the greater work of civilization.

The fond parent looks to a profession, or a trade, for his child to enable it to fill a position in society and to earn the money required.

There is something in the way, however, which seriously interferes with all such plans—professions seem to be over-crowded, and wages are much too low to sustain a decent social position in most of the trades.

The economic condition of society as a whole is now confronting the parent and reacting on him when he seeks to provide a place for his children, and this social condition has to do with that greater use of money which should always have precedence over individual rights in property.

It is not too much to say that a law of God commands us to understand the money question and it is a crime to educate children to seek only money and applaud men whose life is a struggle for money for themselves alone.

It is the height of folly to allow the specter of vested rights to blind our eyes to the individual greed that would hold the mass of mankind in slavish subjection.

We have been weaving a net of private property that is now fast entangling our feet and preventing all social progress.

It is well to bear in mind that no question is ever settled until it is settled right, and also to remember that the question of right, in social affairs, is not a question of belief but a scientific question of fact.

Whatever opinion the reader may hold he must remember that it is not enough to believe that he is right, but it is necessary to know that he is right, and from a standpoint of science he may know this as certainly as any mathematical proposition may be known.

In the money question we are dealing with effect and cause, and the cause becomes a force for the reason that it is invariably followed by its effects and gives us a basis of science.

The cause of money is the value of it, and this value obeys certain laws which money follows as a needle follows its magnet.

Money carries value among the members of society and this value is being maintained or generated every day by the activity of every contributing force in society, and the circulation of money is determined by laws which regulate and control the flow and circulation of this value.

The utmost we may ever accomplish by our laws is to stop all interference with the circulation and generation of value or with the activities upon which the supply of value depends.

The claim made for this work, in comparison with thousands of other writings on the same subject, arises wholly from the new idea and treatment of value in its relation to money.

The difference between the prevailing theories and the new standpoint is well illustrated as follows:

W. Stanley Jevons in his work, "Money and the Mechanims of Exchange," says "Value expresses ratio in exchange," whatever that may be supposed to mean. Continuing he says—

"We must now direct our attention upon the fact that in every act of exchange a definite quantity of one substance is exchanged for a definite quantity of another."

"The things bartered may be the most various in character and may be variously measured."

"The quantities to be measured may be expressed in terms of space, time, mass, force, energy, heat or any other physical units."

"Yet each exchange will consist in giving so many units of one thing for so many units of another, each measured in its appropriate way."

"Every act of exchange thus presents itself to us in the form of a ratio between numbers. The word value is commonly used "For our purpose at least the use of the word value is only an indirect method of expressing a ratio of numbers."

The entire failure of the prevailing theories of money is expressed in the above quotation which will be made plain upon slight examination.

Mr. Jevons uses the illustration that if copper exchanges weight for weight for ten times as much iron then the value of copper is ten times the value of iron.

Now plainly this is getting the cart before the horse because the word "if" is at the wrong place. If the value of copper is ten times the value of iron then it will take ten times as much iron in weight to equal the value of a given weight of copper.

In plain words we never, as a matter of fact, obtain the value of anything by obtaining a ratio of numbers first, but having the value of any number of articles the ratio, or relation between them, is simple and obvious.

Having the value of iron and of copper the relation of weight to value solves itself and is simple, and ratio of numbers is the effect of value and is not the cause, as Mr. Jevons attempts to explain.

In the same work Mr. Jevons uses an illustration which effectively dissipates the idea that value is a ratio of numbers.

In speaking of the difficulties of barter which is the difficulty of establishing a ratio of numbers he says: "In a state of barter the price current list would be a complicated document for each commodity would have to be quoted in terms of every other commodity. Between 100 articles there must exist 4950 possible ratios of exchange and these ratios must be carefully adjusted so as to be consistent with each other."

"All such trouble is avoided if one commodity is chosen and its ratio of exchange with each other commodity be quoted."

Here is a manifest contradiction because barter is not abolished by choosing one commodity as a measure—what is done to abolish complicated ratios is the development of one commodity as a money.

It is self-evident, in the case of the 100 articles referred to, that if value could be eliminated each commodity would have 4950 prices.

However the absurdity of this number theory of exchange will become plain when we study the principles of measurement for a moment.

What is it that actually happens in every exchange in contrast to what Mr. Jevons assumes to take place. A commodity to be exchanged in his list of 100 must first be exchanged for its

value in money and then this value can be exchanged for its equal value in anything else.

This is the actual fact and what does this fact signify? There can be but one conclusion, namely, that everything exchanged has a common origin, which may be expressed in terms of value.

Let us now return to where Prof. Jevons says, "The quantity to be measured may be expressed in terms of space, time, mass, force, energy, heat or any other physical unit."

One thing is now a scientific certainty, namely, that exchange between such various dissimilar factors can never be accomplished except each factor can be reduced to some term which is common to them all.

What factor is it that is common to everything that is exchanged anywhere in the civilized world?

Manifestly it is value, but value, you may say, fails to convey any idea to the mind.

But this is only true of value in the abstract as it is true of any force in the abstract, but in relation to the things exchanged, value conveys a definite idea of social force.

Manifestly everything exchanged in society can be reduced to common terms of social energy.

The total activity of any community for any given time results in a definite number of products which have consumed the energy.

Therefore any product must be reduced to terms of this social energy before it can be compared and exchanged.

But you may exclaim that this is not one force but is such a complication of forces that the difficulty increases instead of diminishes.

Not so, however, because Nature comes to our relief and resolves all these forces into a single force, which equals them in their social energy, and we have given this force the name of value.

The value of property of every description in any community is always equal to the social energy of all the forces engaged in that community. This value rises as social energy rises or falls with the decline of social energy, and each product, or form of property, has consumed a part of this total social energy which its own value should express.

Hence we get a ratio which is in fact a ratio and not a mere collection of words.

The value of anything is the value of a part in ratio to the whole and this is what a ratio must express—a part to the whole.

The value of any commodity expresses that part of the total social energy engaged or contained in the commodity, and the commodity expresses its own part of the total product.

This is so evidently the true explanation of exchange that extended comment must become a mere superfluity of phrases.

Bearing in mind that value is cause and money a peculiar effect of that cause, it will be clear that a knowledge of the functions of money must be based upon a knowledge of the circulation of value.

The persistence of the need for money has given rise to two theories of its functions that are the opposite of each other—one theory holding that the amount of money in circulation is everything and seeks to increase the quantity of money, while the other theory contends that money is non-essential and would abolish its use altogether.

The writers who would increase the amount of money in circulation see one truth clearly, namely, that money has become vitally essential to the activity and welfare of society.

In arguing therefore, that the activity of society depends upon the circulation of money they are right or wrong, depending on whether they mean that we depend on money in getting our share of the value which money is the means of distributing, o whether they mean that money itself is the cause of this circulation of value instead of being but the effect of it.

What they fail to see is that this great body politic acts like an immense machine which is generating value all the time out of the working forces of society, and the continuance of activity in society requires that this value shall be continuously and equitably distributed, and money only acts as a conductor which is charged with value.

This generation of value by the combination of forces may be fitly compared to a constant supply of electric force at a central station which is being carried out as fast as it is generated along paths and conductors so designed as to carry the proper supply to each part, and these conductors, dividing and becoming smaller

as they spread out are designed to deliver value in such quantities as will secure the work of every kind which society wishes to have done.

In this illustration money would take the place of copper which carries the electric current, money being charged with value, as a copper conductor is charged with electricity, and money delivers up value instantly at every exchange and takes up a new supply of value at once to deliver at the next exchange.

It would be as foolish to charge some fault in the generating machinery to the copper conductors as it is to charge some failure in our central society to a scarcity of money.

Just as a copper wire is a better conductor of electricity than iron by about 6½ to 1, so also, is some money a better conductor of value than other money, but there is no doubt that the money of the world is able to conduct all the value with which it is supplied without much loss, and the fault is not in money but in some interference with value.

It is on account of a failure to distinguish cause from effect—to distinguish value from the medium conducting value, that has led the world into so many disastrous experiments in financial legislation.

It is comparatively easy in these days of paper money for an nation to increase the quantity of its money, but to keep it of the same value is another matter, and the statesman has never appeared who could coin money at will and maintain its value.

The reason we can not both issue and regulate the value of money, is because Nature herself determines how much value she will permit any given quantity of money to have, and we might legislate forever, on this matter, without changing the value Nature allows money to have.

The amount of value, in any given community, that may attach to money is always a certain ratio of the whole value.

This is to say that in the City of New York, for example, if the total value of all property is equal to three thousand million dollars then the value of the money in circulation will be a certain per cent. of it, say, for instance, twenty per cent., or six hundred million dollars of actual money.

If the supply of money comes faster than other values then profits fall and drives money away, or if the reverse be true then profits rise to attract more money.

In addition to this flow in volume of money there is a more rapid adjustment from changes in the speed of circulation.

As changes in business activity call for greater or less amounts of money in short periods of time the want is met by a rise or fall in the speed of circulation.

This fixity in the value of money has always prevented interference by legislation and has brought all schemes of government finance to grief.

If we will take the United States as our example we may easily illustrate how this stability in the value of money makes itself felt.

Suppose we call the value of all property in the United States equal to eighty billion dollars and the value of the money that will circulate as twenty per cent. of this amount, or sixteen hundred million dollars.

Let us suppose that this amount gives us a per capita circulation of twenty dollars and it is proposed to increase this to forty dollars, and instead of sixteen hundred millions to have thirty-two hundred million dollars worth of money.

In this event, if Nature did not interfere, the relation of the value of money to other values would be changed from twenty per cent. of the total to forty per cent., and the value of money would be doubled.

It is well to remark here that when the advocates of much money talk about its value they refer to the unit of value, the dollar, but we are discussing the value of money as a whole.

The effect of thus doubling the volume of money would be to cause a rapid rise in prices of all kinds until the true relation between the value of money and all other values was restored to twenty per cent.

Let us suppose, however, that some scheme is devised whereby this rise in prices is prevented and the value of money is doubled.

In this event you would find that Nature had another plan to defeat ours, and the whole speed of circulation would fall so low as to require twice the quantity of money to do the work that was done before.

The reason for this will become clear as we see that money measures out value to the people, and distributes wealth among them; and it is not the quantity of money that is of so much concern as it is the quantity of value that is free to be distributed.

A yard stick, given time enough, may measure an indefinite number of yards of cloth by being used over and over again, so money measures value by being used over and over again, and just as a yard stick goes out of business when the cloth has all been measured, so money is forced out of business when value is taken out of circulation to make a few rich instead of being distributed among the many.

If we had the value in circulation with which to endow all the goods we could produce we would have a market that was practically without a limit.

Value, as you must see it then, is a force furnished by Nature through the activities of society, and it is the chief function of money to measure out and distribute this force among the members of society so as to keep up social activities.

The business, or activity, of any civilized country always depends upon the amounts of value received by its members and the use they make of that value.

Among the great mass of workers in the United States it is very likely that the average for men, women and children will not exceed one dollar per day for every day in the year.

If then we were to write up the activity of the United States in dollars we would say that if twenty-five million people received and spent on the average of one dollar each per day, that this sum of twenty-five million dollars per day was the limit of our business power.

If wages were to fall to a standard as low as in China, then the activity would fall in the same way or rather in an increasing ratio, while if the sums distributed as wages were to double, then the business activity would more than double.

When this circulation of value among the members of society is interfered with money may be never so plenty but it can find nothing to do, and the unthinking say that a lack of confidence has driven money out of business or else there is not money enough in the country.

It is a matter of fact, very easy to discover, that this obstruction to the flow of value is outside of any system of finance and no change in quantity or quality of money can put the value into circulation that is now held back and absorbed by property of some kind.

The theory that would abolish money entirely and substitute some form of direct exchange of goods, or of labor checks, whereby hours of labor would become a measure of exchange instead of the value of money is based upon many false conceptions.

The advocates of this theory gather their inspiration from the observation that money is not usually desired for itself, but that we are somehow required to get money first before we may really get the things we want.

Believing that money is purely a human invention, and a creature of law, and it has passed into the control of a few great banking houses they would cut the Gordian Knot by abolishing money altogether.

Here we encounter the old difficulty which is found in every economic discussion, namely, that value is set aside and disregarded.

These theorists never inquire if by doing away with money they do away with value and if so what other results might follow.

As we begin to appreciate the work of Nature, in the development of money, and see how perfect is this measure of social energy, and how well it is adapted to the ends in view, we will turn from seeking to lift up society by changes in its money system to the true cause, and then we will have some hope of doing something permanent for the benefit of the struggling, over-worked masses.

It must not be presumed that men in society are only a collection of semi-savages who are free to seek the gratification of their appetites without restraint from natural law or without any plan to fulfill.

The desires with which we find ourselves possessed are the desires it was planned we must possess, and only such part of the race of savage mankind was able to advance as acquired the new desires that led them upward and forward.

The leading people of the civilized world to-day are the ones who have most closely observed the natural order and acquired appetites needed to carry out the plan Nature has in view by the evolution of society.

Look, for a moment, at the road the human race has traveled over and left behind it in its journey toward civilization.

Men started as naked savages with brutal and savage instincts,

without the power to work, or speak, or think, and they have come into the posession of an intelligence and power that is only comparable to the intelligence and power of God.

In thus looking back over this path of the human race, in their hard struggle upward, we are compelled to ask ourselves what Divine Hand has been guiding us to show us the way while other people have remained as animals.

In the progress of the races of man came a time when they awoke to the consciousness of this Power that was guiding and directing them, and at such time Religion and the worshiping of God sprang forth with wonderful vitality.

The religious wars of the world seem quite natural when we think what a new consciousness of this kind must have meant to a passionate, primitive people.

It must have appeared to each race that to fight for their religion and their God was to fight to maintain a supremacy higher than the race itself. Nor can we wonder that in this conflict of religions the Christian Religion survived and became the religion of the dominant races because its God was for love and peace, and an equal God for all mankind.

A new and higher faith in God must appear as the truths of science make it plain that our destiny is under Divine guidance, and as we appreciate the bountiful provision that is made upon this earth for the happiness of every one, which our ignorance alone prevents us from enjoying.

CHAPTER II.

THE ORIGIN OF MONEY.

It would be a serious mistake at the outset to believe that money has its origin in the human laws which regulate the coinage and value of the money units.

Long before the dawn of written history the making of money was in active progress in the workshop of Nature, and the process consumed a long period in the history of social development, and it is not yet complete.

Legislation has no more power to create the money of a country than it has to create its language, all the law can do is to recognize the money already developed and sustain its uniform value by appropriate coinage laws.

Money is the language of the body politic and does its talking and counting, it keeps telling us what to do, the easiest way to do it, and informs us what it is worth on being done.

In considering the origin of money we will fail unless we are willing to recognize a Creative Intelligent Purpose in its development.

In trying to solve any mystery of creation wherein manifest intelligence is displayed it is required of us that we discover the purpose of that creation, otherwise we will surely fail in our understanding, however successfully we may classify, investigate and catalogue a great collection of facts.

In the prevailing theories of evolution there is an evident failure to master the problems of the higher forms of development, and in unfolding the laws regulating life and society.

Development is looked upon as almost a purely mechanical process, and changes are explained upon a basis of mechanical action alone, obeying laws of mechanics and laws of motion that seem to be unrelated to any purpose, or connected to any end to be achieved.

It was on account of the early investigation of physical phenomena that we accepted this tendency to mechanical methods in

the science of evolution, because such methods seemed quite satisfactory for purely physical and, therefore, mechanical changes.

But in following truth the scientist must continually go forward and upward, as the world came forward by development, and he comes to a time, in his search for truth, when life and society furnish problems for which physical and mechanical explanations prove an utter failure.

Unless scientists are willing to recognize a purpose in life, and a plan in civilization, they must fail to master its problems, or explain its mysteries, because here we find means are everywhere adapted to ends.

A time came to the progressive races of men when their experience with the world brought them in contact with a creative power, and compelled them to recognize God according to the degree of their intelligence.

So must there come a time to scientists, in the investigation of this same world and in seeking an explanation of its mysteries, when they must recognize God according to the degree of their intelligence, and become conscious of a purpose in the progress of mankind.

With this idea of Intelligent Creative Purpose in mind the explanation of the origin and development of money loses most of its difficulties.

There are two fundamental ideas upon which the development of money is based—the first idea deals with the purpose of Nature in the creation of money, and the other idea deals with the rise of human intelligence by which a consciousness of money is born, so that the human being may become the instrument in carrying out this purpose.

The first proposition we need to consider deals with the purpose money serves in carrying out the plan of civilization.

The facts in the commercial and industrial world make it perfectly clear that the use of money has accomplished a separation between the civilized man and the means of life.

A civilized man is required to get money before he may satisfy any but the most simple and primitive desires. He produces the things he does not want and is compelled to exchange them for their value in money in order to get the things he wants.

The savage was a law unto himself, he secured his own food,

supplied his own simple wants, and was quite independent of other savages.

By the use of money Nature holds the life and activity of men in her hands because she holds value in her hands, and in taking value from one place activity stops at that place, and bestowing value at another place activity follows there.

Just as we would consider a workman setting about to do his work, and taking account of his forces and materials, so also must we consider Nature in the work of developing money.

For are we not all but apprentices of the Master Workman, and are not our small plans and works but a miniature of the greater plan and the greater work?

And have not we all learned our trade in the workshop of the world, and have not we become the people we are because we were compelled to work so as to secure value before we could satisfy our desires?

Remember that the industrial organization of society, with railroads, steam and electric power, came into existance without the devising of human beings; but developed because we were compelled to pursue value, and then you will begin to realize the majestic proportions of this plan of civilization, which is being worked out under our own eyes according to laws of value.

In this great work of making money Nature had two great tasks to perform.

One great task was to so combine all the forces of men and animals, and all the natural forces into a new force that could contain them and hold them together, this was to develop value.

The second great task dealt with the material at hand to wield these forces, with Nature's apprentices, her secondary workmen, with the wild, brutal and unthinking savages.

As Nature was developing value so as to combine natural forces into social forces it was necessary to develop a consciousness of this value in the human mind.

In seeking the origin of money, therefore, we go back to the origin of value, to the beginning of society where we find only savages who could not talk, nor work, nor think.

These savages had a few animal appetites or desires which were the basis of development in them, and as these desires changed from lower to higher levels the savage changed to higher levels.

In order to change idle, ignorant and brutal savages into the constructors, planners, and builders of society it was necessary that their appetites be worked upon, and that they should discover they could satisfy their savage greed easier by following Nature's plan than by pursuing a plan of their own.

Again it was necessary that new appetites in considerable number make their appearance so that the new desires of men would increase Nature's hold on them, and urge them to work all the harder in order to satisfy more appetites.

By increasing our desires, and our appetites, Nature increased our hunger, and our incentive to work her way.

At first, of course, all the savages were outside of this social plan and it was necessary to urge, and coax, and force them in, a little at a time. Nature began with the formation of a tribe, which gradually increased to a nation.

In the beginning the savages were united by the strength of numbers alone, but they soon developed other advantages and began constructing an environment which gradually withdrew them from savage pursuits and hemmed them into a social body.

With the growth of society came an environment that spread over the earth like a drag net seeking out savages and forcing civilization upon them, bringing men into closer and closer relationship, and compelling them to work more and more fully for the benefit of others while they were working to benefit themselves.

The first advance in the development of value, and consequently in the development of money, was made when separate and isolated savages united to form a tribe.

The power of the individuals who were thus united by a tribe was greater than the power of the same number of individuals who remained outside. And this difference in power was the first social gain in power, and was therefore the beginning of a new force brought into existance by this union of numbers.

The tribe was held together by this advantage of increased power because it made each member more forceful, and enabled him to live safer and easier than before.

The tribal force was at first the joint product of mere numbers in which each unit contributes as much as another, and in which each enjoyed his part of the joint gain in power.

In this first appearance the social energy was completely

homogeneous, one part can not be distinguished from another, and it was the joint property of the tribe, and it made for the importance or sovereignty of the tribe, and no single individual could acquire any part of it as his own.

This beginning of social energy, although weak, contains vast possibilities for development, for now the tribal consciousness is born, and the savage becomes conscious of his tribe, and ethics, and government and order have a beginning.

In the tribe, for the first time, the savage becomes conscious of others, and for the first time he must have some care about his conduct, and consider whether the tribe will approve or condemn his acts.

In this faint, first beginning of society the units composing it may be said to be all like one another, without a trace of character, or any personal distinction above the animal.

But at once this social energy, this cause of development, begins to assert itself, the tribe begins slowly to advance, gaining speed with each increase in social power.

New forces begin immediately to change the savage nature, and some begin an independent advancement backed by the correllated power of their tribe.

Some of the members of a tribe soon develop capacities higher than mere membership and in this they secured benefits to themselves besides gaining the approval of the tribe, because such individual advancement would react to increase the power of the tribe.

As soon as individual capacity, and primitive character, began to form, the lines of ascent began to mark out their paths, and the gain in social power from the individual back to the tribe, and the return of power from the tribe back to the individual, was never ending.

There was a two-fold development continually at work evolving the state on one hand, and developing the capacity of the individual on the other hand.

There was a constant action and reaction of social energy, from the state to the individual and back from the individual to the state again.

The power of the state spreads out to increase the power of every member, and with this help every member began an advance

which increased his own power, and this new power returns to increase the whole power of the state which again sends out a new impluse to every member.

The state is thus designed to increase the benefits of its members, and its members gaining advantage from its increase of power return a renewed power to the state which goes the same round continuously increasing the social energy.

Every advance that is made in domesticating flocks and herds, in tilling the soil, in accumulating property, in new discoveries and inventions, in wresting secrets from Nature, and in harnessing her forces should, one and all, increase the power of the body politic as a whole and should return increased benefits to every member by raising wages, by raising the standard of living, and by a general diffusion of wealth among them.

If the equal action and reaction of this social energy, or value, from the state to the individual and from the individual to the state, is in any way interfered with then inequality in the distribution of wealth begins to manifest itself, and the natural rise in wages stops.

The principles of taxation enter here, taxes are the instruments which, when properly used, will maintain an equilibrum between benefits and burdens. But when taxes are unjustly levied and assessed the returns of some individuals to the the state are out of all proportion to their benefits, and a few retain and accumulate, unearned wealth at the expense of many others who are compelled to make up the loss, and return much more than they receive.

It is the office of money to measure out these benefits so they may be properly apportioned. When we say a man has so many dollars' worth of property we tell the proportion of value possessed by him.

Each member of society should always be in possession of his share of the common and universal gain in value, and he should receive in addition a sum which will balance his service to the state.

There is a constant supply of value being maintained all the time by the activity of all the social forces, and there is a constant necessity for measuring and distributing this value by the use of money.

In the beginning of the evolution of society the first appearance of value could not make itself felt as a distinctive force be-

cause it was common to all people, and because it must in some way be measured before it could be realized.

Money had its origin in the necessity for distributing the gains of power arising on account of the increasing co-operation among the members of society.

In the early beginning there was nothing to distribute, and no occasion for measurement, but as soon as individuals were moved, by a consciousness of their tribe, to display ability in many directions, and as soon as property began to develop, a measure of some kind became necessary.

It was essential that property should be able to move and exchange among these early people, because such exchange would again augment the power of every individual and the power of the entire body.

The men most skillful in any one direction would hold the products of such skill in less esteem than other products that were difficult for them, but easy for another.

In this way trade made a faint beginning by the exchange of commodities, or barter, the individual giving up what cost him less power in exchange for something that would cost him more power if he produced it himself, thus marking out a line of least resistance in production and of greatest attraction in exchange, giving rise to demand and supply.

This simple form of barter is an exchange of forces, commonly called utilities, which may be said to reside in the things exchanged, but it was yet a long step before any idea or name attached to such utility.

Gradually one product of more general utility than others, began to be used as a measure, and to take on the functions of money.

As soon as fifteen or twenty kinds of products were produced barter involved a considerable loss of time and waste because in a trade, quite simple in its terms, days might be consumed in arranging its many details.

There was a path opened for the development of money by the time and energy that could be saved with its use, and this saving is the source of the value of money independent of the value of any commodity that for the time is used as money.

Money began its existance in the form of some commodity more desirable than others so that it could circulate by measuring

its own general utility against the less general utility in other things.

This kind of money had very narrow limits, it was subject to decay and consumption, and its quantity and value was never stable, then again as such a commodity became more and more useful as a money, and saved much time and trouble, the value would rise in such a way as to make any common commodity too valuable, and for this reason the precious metals soon became the money of the world.

The precious metals had the properties that early made them the natural selection for money, for they could not be consumed, were universally esteemed, and of a value high enough so that the value of money could not easily rise above them and put them out of use.

It is well to remember, in considering the use of precious metals as money, that such money, for a long period, was in the form of rings and ornaments of various kinds, and coined money came into existance as a necessity of taxation and sovereignty.

We need only to recall the most important function of money to understand the order and history of its development.

Money must be made more desirable than anything else, or the purpose of Nature in the development of money would be defeated, because if some other thing was more desirable than money it would become the incentive of laber, and Nature might fail to direct labor in the way she wants it to go.

Barter proceeded then from one commodity, used for a time as money, to another commodity in the order of their desirability, the commodity more generally desirable driving out and displacing one less desirable.

In this advance the commodity used as a measure was looked upon as in itself possessing the utilities of everything for which it could be exchanged, and the idea of utility apart from the object itself began to form in the mind.

The idea of value came up from this idea of utility, and the manner of its development is interesting and instructive as we may suppose it to have arisen by a study of the use and functions of money.

A hungry man will be driven by his hunger to seek food, but the moment he is satisfied he may be expected to wait until he is hungry again before he will exert himself.

But as desires multiplied, and the means to gratify them increased on every side, there was born a continual unrest of hunger in a multitude of forms, and at the same time money developed in such a way that is was only by the possession of money that this great variety of appetites could be satisfied, and in this way money took on the objective power of securing the satisfaction of every appetite.

When the precious metals became the coined money of the world then value may be said to have acquired an objective existance in the human mind, because then money became purely a power to purchase, and had all the elements of a force.

The development of money followed in the path which was made by saving time and energy by its use, and as the saving increased the value of money increased, and the medium used as money kept continually adjusting itself to this growing fund.

The development of money is parallel with, and best illustrated by, the development of thought and speech, because money accomplishes for the body politic the exchange that thought and speech accomplishes for the individual.

In the beginning of speech a few objects only can be said to have been intelligible to men by names, and such names were an imitation of the objects themselves, as near as sounds could imitate. The first forms of speech were accompanied by gestures of the hands, face and body thus demonstrating the difficulty of the earliest speech, as was the case with primitive barter.

It was a long time after men could exchange words and talk intelligently before an alphabet was invented, which is comparable to a coined money.

By the use of the alphabet names began to impart abstract ideas without requiring a representation by picture, or by sounds of the object.

So money came up the line of ascent, starting as a consumable commodity.

It occupied a long time, and required many exchanges and a great amount of dickering among traders, before a crude idea of money, like a crude language, made its appearance among men.

But like all other forms of development, which are slow and difficult in the beginning, and are afterwards accelerated, money soon became the most perfect measure of value that could be conceived.

CHAPTER III.

A MEASURE OF VALUE.

The way the value of money acts as a measure of value is not nearly so simple as it may first appear.

We are in the habit of regarding money as a creature of law rather than a most intricate product of evolution, and it seems as though the government need only to coin a quantity of money, and the holders of this money in some way determine prices and fix values, and that measuring is done by buyer and seller.

But Nature, by some mysterious process, does the measuring for us, and we find we have little, or no control, over the amounts of money we receive, or the prices we pay.

We are creatures of a market, more or less determined in advance for us, and we must accept such wages as we can get and pay such prices as have been fixed for us.

This is equally true for the common laborer and the great financier, and he who finds millions coming his way is as helpless in causing such a flow as the common laborer is helpless in the low wages he is compelled to accept.

This difference between the men who control millions, and the men who scramble for dollars, is a difference of the market in which they happen to deal.

In the case of labor value is divided into pennies, and his calculations are made on such a basis, while in great financial centers the penny becomes a thousand dollars, and it is relatively as easy to accumulate a thousand dollars at one market as it is to get a dollar at another.

Between the men who deal with pennies as counters, and the men who deal with thousand dollars as counters, in the same way, are all the intermediate grades.

We are apt to say without thinking that demand and supply repudiate prices and thus dismiss a great subject without an idea of what is meant by demand or supply.

Demand is not a want or desire, but a demand is a definite quantity of value put into action by a definite want or desire.

Twenty-five cents spent for sugar is a demand for sugar, while a group of children looking into a candy store with hungry eyes expresses a strong desire for sugar but no demand.

Remembering that demand is a definite quantity of value in action we get the controlling side of prices.

Out of the total value, Nature, in some way that we do not understand—makes a number of divisions of the fund and this gives rise to the demands of every kind, and we keep producing the supply, and increasing it, until we get to the lowest margin of profit.

If wheat is considered as an example, we find that Nature allows the United States to spend about four hundred million dollars a year for wheat, and the supply comes up until the profit is at its margin; the same is true with other sources of supply.

The action of value in demand and the reaction of the supply, in determining prices, is limited however to what we should call simple values and what is commonly known as commodities.

If we were to leave the discussion here, as is commonly the case in political economy, we would omit about two-thirds of the prices in the country.

In addition to prices of goods of every description there is a vast quantity of fixed property the price of which depends upon the rate of profit at which it capitalizes.

Leaving property in land out of the discussion it is held by economists that the value of all other fixed property, as railways, factories, homes, etc., is determined by the value of the labor and materials of which they are composed, and that, therefore, there is no other regulation of prices but by the demand and supply.

This is only true to a limited extent, in as much as the prices of such fixed property can not fall below the cost of reproduction, speaking generally.

As we go up the scale of fixed property, from the simple to the more and more complex, the value of such property will rise relatively higher than its cost of production and be determined by a rate of profit.

The more stable the property the lower the rate at which it will capitalize and the higher its price, and the greater the difference between its cost of production and its value.

The price of land depends upon the lowest rate of profit which has been fixed outside by the development of other fixed capital, and while much land that is valuable returns no profit because it is not put to its highest use, its price is determined by the profitable land of the same class.

With a given demand each year, this is to say with a given sum to be spent for goods and for investment each year, we may be sure it would now divide into three parts, one part going for our living in buying consumable goods, another part in consumers capital, in building houses, factories and the like, and the remaining part for investment in land and other stable and fixed forms of property.

Having a fixed sum each year to spend, the amounts going for investments pure and simple limits the amounts that may be used to promote the activity of society and sustain the life of its members.

As a nation we are limited in our income and expenditures in the same way that individuals are limited, and the expenditures of all individuals in any year limits the nation.

It will not do to say that next year we may produce three times as much as we produced this year and have, therefore, three times as much to spend, because the chain of activities does not start with production, as is commonly supposed, but ends there.

What we may produce next year is limited by the amount we may have to spend, and it is not the other way so that we could say that what we will spend next year will depend on what we produce.

Production is limited by the circulation of value, and unless we adopt some measure to put more value into circulation we are limited one year by the circulation of the year preceding from which there may be a small gain or loss.

In considering the market from which the activity in production gets its support it is necessary to consider the entire market, the market for investment and the market for production.

While we must admit that the investment market does not promote activity, encourage industry, or forward development, but is merely a change in ownership of fixed property, yet its influence on the other market is far reaching and often most disastrous.

We can see that for some reason the labor market compared

with the investment market is badly crippled, that whereas we could easily produce from two to three times as much goods as we now can market, yet in the investment market we find value for investment accumulates much faster than new property and pushes down the rate of profit and raises prices out of all relation to costs of production.

While there is no outlet in this investment market for the accumulation of surplue value, except in lower rates of profit and higher prices for land and other property, the same value could find an unlimited outlet if it could increase wages and add its force to the market for commodities.

What we need to discover is the cause of this paradox of value, this accumulation every year for investment on one side while great masses of people are chained to a life of drudgery for the need of this self same value on the other side.

There is some interference with Nature's apportionment and measurement of value, back behind the market, that must be the cause of this disproportion of value going to labor on one side, and piling up for useless investment on the other side.

Manifestly it can not be natural that such great sums of idle value should be constantly seeking investment only to force up prices of land and securities of every kind while millions of families are forced to live way below the standard of our civilization because this very value does not come to them.

Both the idle capital and the idle and underpaid labor are alike a menace to our civilization, and have come from causes which no men have sought to impose on their fellows, and which no class would knowingly sustain.

This inequality in the entire distribution of wealth, and in the daily distribution which follows a similar proportion, is the cause of widespread discontent, and of many theories to remedy the evil.

It is generally held that the measurement of benefits is to blame, and while one class of reformers lay the cause to a monopoly of money, the Socialists go much deeper and would take hold of property itself to restore equality.

Socialists may be said to regard unequal distribution as being a natural product of evolution coupled with human greed for private property, and that the situation requires heroic measures for relief.

They would take the apportionment of benefits into their own hands, doing away with all forms of investment by making fixed property the property of the State.

The chief question to consider from the Socialist standpoint is whether our unequal condition is a result of evolution and can be remedied by human beings taking to themselves the task of controlling development.

We need to ask whether Nature does not show capacity to manage society better than human beings can manage it, and to ask if the whole trouble has not arisen because we have attempted to regulate and control where we should have kept our hands off?

We need to look at evolution from the right side and from the only logical side, and when we do we must credit evolution with the benefits we have secured, and we must charge the failures, that have scattered ruins of civilization along the history of the human race, to the ignorance of man and to his want of sympathy for his fellow-man.

The government that endures and rises above the ruins of human governments is the government of Almighty God, with its laws of unfailing justness and equality.

It is not enough that our sympathy for suffering humanity is the mainspring of our actions and we are moved by good intentions, for the poet has wisely observed that "Hell is paved with good intentions."

A useful rule to remember in discussing remedies for social ills is that we will never learn the wrong we suffer until we learn the right, and we will never be permitted to compromise with the wrong because we have not discovered the right.

Although there is a great deal of truth in Socialism, yet success requires the whole truth, and their plan to substitute human intelligence to measure and apportion social benefits in place of Divine Intelligence is open to serious objection.

It seems to the writer that Socialists fail utterly to comprehend the marvelous adjustment of forces that bring about the natural regulation of values, and the wonderful complexity of measurement required to maintain an equilibrium in society.

To regulate production Socialists see but two simple elements —labor and materials—and they conceive that all forces can be reduced to terms of labor and all substances to terms of materials measured by labor.

This scheme denies at first hand, and as a primary proposition, that natural law regulates production, and assumes that inequality in the distribution of the wealth arises from human greed instead of human ignorance.

But the problem of measurement in the distribution of wealth, we will easily discover, is not nearly so simple as the good intention of Socialism would have us believe.

Not only is it necessary to measure out social energy every day according to the progress of that day, or to the failure of that day, but, what is vastly more important, the present daily apportionments are made with due regard to a plan of civilization centuries of the future ahead of us, and what human being may be so bold as to say that he could regulate production with due regard to the future destiny of the human race?

The problem of economic measurement is not a simple question of labor as the only force, and products of labor as the only material.

The evolution of society is brought about by the co-operation of all physical, all vital, all chemical forces and all substances, including, and taking into account, their manifold and inestimable qualities.

Nature has accomplished a pooling of every imaginable force and item of substance in society by the development of value, and controls progress by the laws she compels value to follow.

Consider how production changes by recalling to mind that the factory system began almost in the middle of the 19th century, and did not result from human greed or foresight, nor come because of human legislation, but was a result of laws of value world-wide in their scope.

A pair of shoes—how simple it seems in the market, and yet how difficult to unravel the forces that to-day engage in the production of a pair of shoes, and what changes have come when we remember that some of our grandfathers were their own cattle raisers, tanners and shoemakers all in one.

How intricate is the measuring that needs now to be done to apportion and distribute the value of a pair of shoes when a large part of society is engaged indirectly in producing them.

The raw material for a shoe factory comes from farms and mills scattered all over the world, and these farms and mills keep other farms and mills employed.

A shoe factory is, itself, an important part of the life and industry of some town or city.

The city government where the factory is located contributes a part in the making of shoes, the schools of the city and country help to make shoes by keeping up the standard of intelligence.

Physicians, dentists, lawyers, etc., engage in shoe making when they save life or time for the inhabitants of the town where the factory is located.

Outside the factory town is the county and state, and the efficiency in shoemaking is influenced by them.

Beyond the state is the country at large, and beyond the country is the civilized world, in some way indirectly connected with shoemaking.

Along with the labor and capital that is directly engaged in shoemaking, and which we all see clearly must be paid out of the market price of shoes, is the other world of labor and capital indirectly engaged in the same industry, but only touching it at many points, and all this secondary labor and capital must also be paid out of the market price of shoes as much as they contribute to the product.

The circulation of money, which pays wages of every description, which pays taxes and incomes of all kinds, gets the value from the retail market for goods.

Society at large releases certain amounts of value for every industrial channel, and the products coming to the market have their measure taken by money and have their prices fixed in conformity to the whole amount of value which is released for that purpose.

The importance of a proper market price has never been appreciated by economic writers, who always conclude, off-hand, that a low competitive price is the best price for all concerned.

When we remember that the retail market price must carry with it the value that pays for everything, for wages of every description, for profits, for all capital, for all incomes and taxes, we begin to discover the reason a general fall in prices produces a panic and such wide disaster.

The monopoly price is assumed to be unjust because it is relatively higher than other competitive prices, which are taken unjustly, and without reason, for a standard of comparison.

The monopoly price, on the contrary, is the natural price, and is the price Nature would establish, and does establish, wherever she is not interfered with, and the highness of the monopoly price, fixed by relative competition, is its chief virtue because it carries with it the wages for teachers, doctors, lawyers and government employes of all kinds, and all other payments for services.

At present this monopoly price does not obtain for goods except they are controlled by great combinations of capital, but nearly all income-bearing property, which greatly exceeds the value of all goods, sells always at its monopoly price.

Nature has produced, and has always on hand, a quantity of value sufficient with which to allow every commodity in our market to sell at its true monopoly price, but on account of human institutions diverting this value from its true channels it piles up in every market to compete, and for useless investment.

Just as a trust, by controlling the market, can take advantage of this monopoly price and keep the gain instead of distributing it in higher wages, so also other strong property, notably property in land, takes up and absorbs the value that should go into trade.

We can see when shoes are sold at the store, and taken away to be consumed, the value of them begins to be redistributed and the last element in production, the merchant, is the first to be paid, and after him in succession all other contributors are paid until we reach the beginning of the production, which is paid last.

It may seem, to the reader, that distribution does not occur in this order, owing to the advance payments the merchants are required to make to secure a stock of goods in the first instance, and to replenish the stock as the sales deplete it.

But the capital invested by merchants in stocks of goods is in the nature of a loan to society upon which interest charges are added and collected from the consumers.

This again is an illustration of the backward conduction of value; of the chain of proceeding from cause to effect, the value of goods is held at the center and only attaches to goods as they come into the market, and, therefore, can only be redistributed after they are sold.

The explanation of the market price by political economists is almost the opposite of an explanation of the facts, they hold

that the price of any good in the market is a result of additions which commence with the first work done and the first material used and is added to with every change, or handling, until the market is reached, when the sum of all the lower costs are united to make the market price.

This is now generally admitted to be an error because it fails utterly to agree with the facts, and because if it was true there could be no such declines in prices as result in panics.

The market price is made by society in some mysterious way, and is a result of a chain of evolution which has established a path for value.

From the market price all the costs and profits are subtracted, and all the elements entering into production are paid, the last element being paid first and the first element being paid last.

Hence it follows that production comes to a sudden stop when a fall in prices is passed down the line to where it has its beginning and an attempt is made to take away the profits of the employing capital or reduce the wages of labor below the standard of living.

This mystery of prices being measured out for us at the centers of social activity, and being determined by some kind of a clearing between every social force, is one of the secrets of Nature that we may never have explained.

The laborer in a country village in Kansas, when he buys a pair of shoes, may be paying a part of the salary of the President of the Argentine Republic.

But by what process of apportionment such services can be added to the price of a pair of shoes, and by what paths such minute fractions of value can return to their source, may never be explained to us.

Although we may never unravel the intricate mystery of prices, owing to the complexity of evolution, yet a study of development may help us to form an idea of the general plan by which value flows in large streams before it sub-divides and balances into prices.

We may learn something by a study of the backward conduction of value, by discovering the reason that the latest elements entering into the production, or exchange of goods, are paid in advance of the primary elements.

The first steps of progress are always the most difficult to take, and each succeeding step becomes easier until a habit is formed, and doing work in a particular manner becomes a second nature to us.

In the production of shoes we must admit that the first pair was by far the most difficult and costly, consumed large quantities of energy, wasted much material and occupied considerable time.

We may imagine, for the purpose of illustration, that the making of the first pair of shoes required the maker to wait until the cattle for the hide was ready for the killing, and then to prepare and tan the hide and wait on the tanning, to make his own tools, and after a long time, and much toil and waste of material, shoes of a very inferior quality make their appearance.

While this is not the true history of the first pair of shoes, strictly speaking, it is near enough the truth to demonstrate the lines of progress.

In this illustration the lines of advancement and improvement are clearly defined and shoemaking would expand as an industry by saving in three directions; the first would be a saving of labor, the second a saving in time, and the third a saving in material, and progress of the whole would continually be helped by a better product, by better shoes.

What is saved in each instance is a gain in power, leaving that power free to make more shoes without any increase in expenditure.

Therefore, as a result, the shoe industry would welcome any help from any other lines of development that would save labor, or time, or material in making shoes, because such help would be able to pay themselves out of their own savings, and leave something over for the benefit of shoemaking in general.

For this reason evolution in every industry brings new forces into it that help it along, and these forces must be paid out of what they save, and are, therefore, paid first, or paid before the earlier processes.

Some forms of property quite foreign to all methods of production, and entirely removed from the labor and capital engaged in producing goods, are strong enough to pick up much of this saving without in any way contributing to it, and when this is done there is a shortage in the supply of value, more goods are

produced than can be sold, and there is not enough value to pass back so as to pay labor the necessary wages and pay the necessary profits to capital. The value of land and the value of franchises are notable examples of property of this kind that absorb the savings made by inventions and improvements.

To reduce our problem, of the evolution of industry, to more scientific terms, we may say that in order to make a beginning in any line of development we will have a definite quantity of force with which to work and this force expends itself in overcoming the difficulties, or the resistances, in the way, and in doing so consume a definite amount of time.

In the line of ascent in every industry there will be gains made by an increase in the force available, and by diminishing the resistances, and by saving in time.

We may imagine a trade in shoemaking having been started, and such a trade is really the making of a path along which the forces of society expend themselves with less and less resistance to overcome, and as this one trade develops and helps along other trades it is itself helped by them.

The principle we are trying to demonstrate is that in the development of industries, and in the development of new desires at the same time, paths are being made along which social forces expend themselves, and the measurements of social forces are in some way accomplished by these paths.

We might illustrate this idea by the nervous system of our bodies, and by the manner in which the paths for nerve force branch out and sub-divide, an impulse of force from the center carries force along its paths, each of which is proportioned to carry the amount of force required for a particular work of the body.

The lines and branches of every industry lead to points wherever that industry may receive and give support to any other.

During development the social energy will push out its paths along the lines of least resistance, but in obedience all the time to the general plan for the evolution of society.

There is in progress all the time an orderly development which implies a constant increase or growth of social energy, and a constant pushing of this social energy along lines of development in obedience to natural law.

The valuation of every product by the central society becomes a necessity of complex development because it is only at industrial centers that a balance of forces can be maintained, and only at such points that the exact proportion could possibly be made.

All manner of industries from the most simple farming to the most complicated manufacturing are connected together by paths of force, and are ever receiving and giving a variable assistance to each other.

The amount of social energy, in the form of value, going out along its paths is subject to considerable variation which would necessitate the constant equalization of forces, and constant measurement by money, which is shown by changing prices.

The price of any commodity, as, for instance, five dollars for a pair of shoes, is not a measured amount of shoe labor and shoe material, as it is commonly supposed.

Five dollars' worth of shoes is to say that the social power of a pair of five-dollar shoes is equal to five dollars in value, and this is determined by a pooling of all kinds of energy by society and then an apportioning the proper share to the pair of shoes.

The labor, and other activities, by which shoes are produced form a part of the whole social energy, and this shoemaking energy must come to the center where it will be adjusted with every other productive energy and be equalized, and then an amount of value, equal to this adjusted and equalized power, will attach to the product and from the product will flow back to pay labor and capital.

This is the law of value by which demand arises, and the reason more value does not flow back to labor in every industry is because there is a robber between the valuation of society and the valuation of the product that is strong enough to take everything that labor and capital can be forced by competition to give up.

All manner of activity in society may be said to be connected by paths to some central directing Intelligence; this activity is then reduced to its equivalent value, and then this value is redistributed along these paths, going back always in the same ratio that the activity sent its force to the central station, provided it is not interfered with.

We say, then, that for any given time, the activity of any society consists of a definite amount of social forces, resulting in a

definite quantity of social products, but before any product may know where it belongs, in the social scale, these definite social forces are combined into an equivalent and definite sum of value, and this value should attach to each product in the ratio of its social importance.

This value divides first into great streams, the whole of the force producing goods receiving first a whole amount of value equivalent to such force, and then this stream sub-divides into grand divisions for each department, and each of these divisions sub-divide into innumerable branches, which fix the great varieties of prices of goods of every kind.

In considering this perfect automatic action of natural law regulating prices, and controlling the order of development, the reader must not conceive the idea that human intelligence plays no part in the social plan and is only a higher developed form of labor.

Intelligence is doubtless one of the ends in view for which all this evolution is proceeding, and, inasmuch as happiness is the mainspring of our actions, and as the field for happiness constantly extends and the quality of happiness becomes more exquisite, a more perfect intelligence develops as a means to direct and control us in our pursuit of happiness.

But at the same time, in giving to the intelligence of human beings a high place in Nature, we must not lose sight of its finite limits, and must not forget that we depend after all upon infinite intelligence to enable human intelligence to become self-conscious.

We never know, from within ourselves, of what intelligence really consists, and during the history of mankind, and during our passing existence, much false coin passes current for good and true intelligence.

It is probably safe to say that we develop mental capacities in great variety, but only such capacity as is in harmony with Divine Intelligence remains in the world to become a basis of higher intelligence in man.

The true intelligence in the world may be said to be the residue that remains after mental developments have passed through the melting pots of hard experience and have become refined and harmonize with that higher and infinite intelligence at whose suggestion human intelligence starts in life.

CHAPTER IV.

THE RATE OF INTEREST.

This much-discussed subject is not nearly so difficult and complex as modern writers of political economy would have us believe.

Interest must be studied from the standpoint of the facts, and the theories that fail to explain any of the facts, or explain all of them, must be abandoned.

To attempt to discover the origin of interest by leaving money out of the discussion, as the Austrian Economists are attempting to do, is more difficult than to play Hamlet with Hamlet cut out of the play.

The common idea of interest, that it is paid for the use of money, is the correct idea, and is the result of men's experience in business.

The reader must be able to distinguish interest from profits, interest is paid for the use of money and profits are paid for the use of capital.

Economists attempt to lump all such payments as being made for capital, and to call all such payments interest.

Money is not capital, but it is a distinct evolution much older than capital, and has its own peculiar functions to perform which are distinct from the functions of capital.

The payment of interest depends upon the laws of the distribution of wealth, and has its origin in the backward conduction of value.

Money must be advanced to capital and labor to secure co-operation and to gain advantages in production, because the value of products is never fixed until after they come into the market, and products are never paid for until after they are sold, and the labor and capital directly engaged in producing them is paid last.

On this account money lends to labor and capital a most valuable assistance, and takes its pay out of the saving it establishes by its use.

There are two sides to the interest problem equally important. One depends upon the nature and functions of money, and the other upon the backward circulation of value which calls money into use and by which the benefits of civilization are distributed.

Money is a labor-saving and time-saving device, the use of which causes an increase in social energy and an increase in value, and this increase in value gives rise to profits out of which interest is paid.

The interest paid for the use of money comes out of the increasing volume of value which appears first in the market and increases prices and profits.

Lending money, after all has been said, is only a higher form of exchange, and the banker and money lender is, under normal conditions, only a more universal merchant and manufacturer than the men directly engaged, because in lending money they become silent and conditional partners in every business to which their money gives assistance.

As society develops, as commodities increase in quantity and variety, and as inventions and improvements increase the social energy, there is a corresponding increase in the total amount of value which becomes profits first before it is redistributed, and money is paid its interest out of this profit.

From the redistribution of these profits, by building houses, factories, railroads, etc., a new source of energy is developed, and a new series of profits must be paid to capital on account of the assistance given by these improvements to society.

As all these sources of gain develop there comes into existence corresponding quantities of new value, and as the costs of production are constantly lowered large margins of profits make their appearance.

This increase in the quantity of value greatly increases the volume of business and increase the use and necessity for money.

The lending of money is based upon the development of society by the redistribution of profits, and interest is a payment made out of profits for the use of the value of money by which profits are secured.

It is a mistake to assume that the sums paid for interest are paid out of the earnings of labor or capital, and are an interfer-

ence with production, and are a cause of the unequal distribution of wealth.

Just the contrary is true, and interest is paid on account of the assistance given to labor and capital by money, and because it promotes a wider distribution of wealth.

On account of the superior stability of the value of money the rate of interest is much lower than rates of profit, leaving a margin to borrowers and enabling them to promote development and encourage a wider diffusion of wealth by the use they make of money.

We are confronted with vast accumulations of idle capital that can not be put to use and are constantly competing and interfering with natural rates of profit by driving them down to the interest rate for money, but money is not responsible for this condition.

The competition of idle capital has a tendency to lower all profits to the low level of interest for money, notwithstanding the stability in value of money and the hazard in business, and, as a result, there is a large percentage of failures in every line of endeavor on account of insufficient profit.

According to the law of profits the rate should vary with the quantity of value engaged and with the risk involved.

Speaking for society as a whole the general rate will decline with the general increase in wealth and with the increase in the stability in government.

The natural rate of profit for different lines of products should vary considerably, and the highest rate should be with perishable commodities, and the lowest rate with fixed business property in the center of a city.

Such commodities as fruits and vegetables, the time of which is short owing to their liability to decay, should carry the widest margins of profit because the price is subject to the widest fluctuations.

As we go up the scale to where there is an increase in stability of products and in the quantity consumed, there should be a corresponding decline in the profit.

Passing from commodities to factories we will find the highest profit naturally with such plants whose product is subject to sudden changes in fashions or changes from new development.

The value of money must be more stable than the value of the best property because it must always be interchangeable with the best property without loss, and, therefore, the rate of interest should be lower than the rate of profit for the safest capital.

To sustain the rate of interest below the lowest rates of profits the amount loaned on any property is always considerably less than its value, thus guarding the value of money against fluctuations, and the time of the loan is limited so as to be able to renew this security of money before changes in value occur.

The qualities required by Nature in the medium we use as money are quite simple, and are determined by the laws which regulate the circulation of value.

Money must possess the power of taking up a value of its own independent of the value of the substance out of which money may be coined.

Money must give up this value in every exchange to the commodity to which the value belongs, and must immediately take up the same measure of value again from the general supply.

Money must measure value as it attaches to commodities and property, and must at all times measure changes in value by changes in prices, and for this reason the value of money must be more certain and secure than the value of any other property.

Equal relations in society, upon which all economic equality depends, are based upon this relation of value in different kinds of products, and upon the value they contain being always in its true relation to the whole value.

That money may perform its various functions, without loss to any class in society, it is essential that every dollar shall have identically the same value, and every multiple of dollars shall have a value of exact multiplication of the unit.

A thousand dollars must be a thousand times as valuable as one dollar, and a penny must always, and ever be, the one-hundredth part in value of a dollar.

Money must not possess any power of increase, or change; it must not, like a commodity, be subject to fluctuations and ever be worth more or less than it costs.

The changes in value in other things must be the motive for the circulation of money and, therefore, money, itself, must not be subject to such changes.

Money must have a basis for its value because it must be exchangeable at any time for simple property, such as commodities, and for income-bearing property.

This necessity for a stable value in money, superior to the value of commodities, that are subject to sudden changes and to fixed property that changes only during long periods of time, has given rise to what is known, all over the world, as a gold basis.

Gold developed as the chief money metal on account of the stability of its value, which was a result of its limited quantity coupled with its qualities as a metal that made its possession almost universally desirable among people of wealth.

In order to appreciate the position of money the reader must have a clear conception of its value, and gold money offers the best obtainable illustration.

Gold may be said to have a double existence; one life depends upon its use as money, and the other upon its use as gold.

From an economic standpoint gold can not be both money and gold at the same time because value determines its economic standing.

When gold is coined into money it ceases to be gold; that is to say, it loses all its gold characteristics and acquires all the characteristics of money, and a paper dollar and a gold dollar, of equal value, become identical.

For this reason, whenever the money value falls below the gold value, then gold goes out of circulation and into the arts, and the reverse happens when money value is higher than gold value then gold flows to such points.

With the increase in wealth of the world the quantity of gold became utterly inadequate to supply the world with money, and the value of gold could not rise above its commodity value, while the money value of the world greatly increased beyond the value of all the gold.

Under these conditions paper money came into existence to supply and make up the deficiency of gold, and in order to make a stable value for this paper money it was given a gold basis; that is to say, it was made redeemable in gold.

The amount of money that will circulate in any country without causing fluctuations, and changes in prices, is determined by laws of value and is always a certain ratio of the whole amount of value.

When a country depends upon the value of gold for the unit of value of its money, and can not get enough gold with which to fill out its allotted circulation, it may issue paper money to the point of saturation of its money value without a dollar of such money ever having to be redeemed in gold, because this paper money, in such case, would take up the exact amount of value that gold would have taken up had enough gold been obtainable.

But the moment the paper money exceeds such quantity—that is, the moment the paper money passes the point of saturation—it is plain that the money value instead of being divided into units, of which gold is the measure, is divided into more units of which paper money is the measure, and they, consequently, have a value lower than gold.

Then it follows that gold, being cheaper in one country measured by a paper unit, than in another country measured by a gold unit, will flow to its dearest and best market.

This necessitates the redemption of paper by gold so that the paper money can not pass the point of saturation and divide the money units into units of less value than the gold basis.

The question now presenting itself for solution is the reason for this exceptional stability in the value of gold that leads all nations of the civilized world to adopt it as a standard of monetary value.

This question will be easily answered and easily understood if the reader will bear in mind the two great classes of property in every community, namely, goods of every description and property bearing an income.

Money must have a value so stable that it is not effected by changes in prices of commodities which are subject to wide fluctuations, and its value must be more stable, also, than income property, which is slow to change in price.

The producer of wheat, when he sells his product for its value in money, must know that he can buy income-bearing property for this money on the same basis of value, and the property owner, when he sells his property must know, also, that he can buy commodities on the same basis as he sells.

If the quantity of money could increase arbitrarily, then the money prices of commodities would rise out of all proportion to income property, because they would advance under an inflation of currency while fixed property remained stationary, thus giving undue advantage for the time to sellers of commodities.

The reason gold became the standard measure of the civilized world was because a balance was always kept between the value of gold, the value of commodities, and the value of income property.

This stability in the value of gold was a result of national debts, and of the constant borrowing by the governments of the world who thus became buyers of gold in large quantities, for which they paid with bonds, giving a bond bearing a definite rate of interest for a fixed weight of gold.

In this way gold became possessed of the property of being convertible, at the option of the owner, for the very best and most stable form of income bearing property in existance, and this fixed its status for all income property, for being readily received for the best property it was necessarily in greater demand for property not quite as good.

Hence, it follows that a gold basis, for monetary value, is misleading because behind the gold is a basis of value higher, wider and deeper than gold; the basis for the value of all income property—namely, the power of commanding a fixed and definite rate of interest or profit.

Since all governments have been compelled to buy gold at a fixed rate of interest, which rate of interest depended upon the credit or stability of the government, it follows that the value of gold developed an international and world wide stability.

There are, however, several important considerations pointing to the rapid displacement of gold as a money metal not far in the future.

The first of these is the increasing use, and stability in value, of paper currency which fills the natural requirements of money better than gold because the value of paper will depend solely upon the free money value of society and will not be complicated by a commodity value.

The second consideration is the need in the arts for gold, which makes the use of gold money an expense that is being opposed at all times, by the laws of the conservation of value.

This expensiveness of gold, on account of its commodity value, and the loss by wear, confines gold to be used almost wholly as a reserve by banks and government treasuries.

The third consideration is the steady and certain increase in the output of gold from the mines, which will soon saturate the demand for gold as a reserve, because all requirements for reserves will soon be filled by this increased production.

This saturation of gold reserves will force gold into circulation in competition with paper, and will do away with the redemption of paper by gold, and in this competition gold will be defeated and will return to pile up in banks and treasury vaults just as silver did in its day.

But more important than the foregoing considerations will be the development and extension of international trade by which war will be abolished and the stability of government will be secured.

This increase in trade will make a new market for securities of all governments which will be used in the settlement of balances in place of gold.

Then will follow, as a logical conclusion, the redemption of the paper money of every country by the bonds of that country, and then the value of paper will become international and will be based upon a bond bearing a fixed rate of interest.

Furthermore the value of paper can be made more stable than gold has ever been, and at the same time such a currency can be made as elastic in quantity as the demands of business may require.

Gold basis money depends upon the erratic demands of governments for loans, which demands are subject to wide fluctuations, and which must effect the money of the entire civilized world.

A paper money may be made redeemable in government bonds, at the will and option of the holders of currency, and in this way there will never be a departure between the simple values of commodities and the compound values of income bearing property.

The elasticity of a paper money may be made practically perfect by the issue of currency bonds bearing a rate of interest slightly lower than the loaning rate for money, so that the demands for currency in business would not be interferred with by the demands for currency bonds.

Any government could issue its paper, which is made interconvertible with a currency bond, until the surplus of money caused a demand for bonds and then the issue of currency would cease and currency bonds would be issued and the money coming in for exchange of bonds would be destroyed.

These currency bonds going out would at once become the currency barometer and would indicate the need of society for currency because as a demand for money arose the bonds would come back for redemption in currency to go into circulation, thus keeping up the supply of money to the point where the quantity of money equalled and took up the value provided by Nature for that purpose.

CHAPTER V.

THE CIRCULATION OF MONEY.

In studying the circulation of money we study, at the same time, the distribution of wealth, and we find our subject so complicated by unequal wealth that we may have some difficulty in separating the principles of circulation from the interferences.

We are about to attempt the diagnosis of a body that is racked with pain and weakened with disease without having a healthy body with which to make comparison.

The body politic, in all its history, has never known what we may call a period of healthy development, because with the beginning of the increase in wealth there began at the same time an unequal and unjust distribution of that wealth.

We must depend upon our knowledge of science and upon our ability to follow natural law through the mazes of development, in order to discover the proper distribution of wealth and to discover the cause of interference with such distribution.

It seems as though the best plan would be to ignore, for the time, the facts of unequal distribution and seek out the laws of natural distribution, and then return to our subject and follow the processes by which the equal distribution is changed to concentration.

If we can demonstrate that the application of correct principles in our politics will be followed by a correction in the distribution of wealth we may consider we have proven our case.

Certain fundamental ideas must not be lost to our sight if we expect to follow the path of circulation and understand the distribution of wealth.

The most important of these is—Value, because it is the most fundamental.

We must remember all the time that we are dealing with laws of value and with the movement or circulation of value, and that money and goods only follow where value leads them.

We must remember that there is a limit in the quantity of

value which is not fixed by the quantity of goods, but which fixes the quantity of goods.

We must remember that the quantity of value is governed by the quantity of forces co-operating in society, and rises as these forces rise, and falls as these forces fall.

We must not lose sight of the fact that labor and capital producing goods do not produce the value of such goods, and the value of products is a result of social adjustments and measurements in which all the co-operating forces are balanced against all the products according to the needs of society at large and not according to the needs of individuals.

It is society at large that tells a laborer what kind of product to make by the value it places on the product, and drives labor away from useless employments by denying value to his products.

When the bicycle came into the market its value bore no relation to its cost of production because society saw fit to encourage a rapid increase of bicycles by a valuation that allowed an abnormal profit.

With a clear idea of value the next step in importance is a clear idea of the backward conduction of value, and of its circulation.

According to this idea distribution of wealth does not rise with labor and capital and proceed to the other members of society but rises with society and goes back to labor and capital last instead of first.

Value appears first as a social force and attaches to goods after they are produced and appear in the market, and when the goods are sold then the distribution of this value takes place, no other conclusion can be made to agree with the facts.

It has been assumed, and accepted without question, that labor was first in production and value was one of the products of labor, but the self-evident truth is that value is first and labor is one of the products of value. Value directs labor in the way it shall go and prevents it being wasted in useless effort.

In discussing the circulation of money we must necessarily deal with a society so far advanced as to have developed money, but as we have examined the origin of value and of money we need experience no difficulty on that account.

Money circulates because the activities of society result in the appearance of value a part of which attaches to money, and the remainder attaches to property.

Speaking generally there are two great divisions of value corresponding to two great classes of products—circulating value and fixed value.

We may say that the active social forces should be balanced by an equivalent active or circulating value, and the potential social forces could be balanced by an equivalent fixed or potential value.

It may be well to attempt to draw a line between the active and potential social forces although such a line can not be made distinct.

Of the active forces intelligent labor is chief and next are the active forces of growth and reproduction in animal and vegetable life, and to these we may add the active mechanical, chemical and physical forces.

Of potential forces the chief is the properties of materials, and the persistance of such natural forces as gravity, the heat and the light of the sun, and the organization of structures of all kinds to assist the active forces.

It is a law of compound evolution that these potential forces, which give rise to the value of fixed property, must facilitate the active forces, which give rise to circulating value, before any value will attach to such fixed property.

The rate of income of fixed property will measure and determine the quantity of value it may contain because such income measures the benefit received by the active forces from such property.

To make this matter more clear we may say that all the active forces of society give rise to a sum of circulating value out of which all wages and profits and incomes are paid, and the incomes of fixed property should equal the benefit received from such property by the circulating value.

A dwelling house has a definite value which we may call potential, and the amount of this value will depend upon the income it can command, and the income in turn will depend upon the help the dwelling will give to the active forces of society.

Although value thus divides into two great classes of primary and secondary according to laws of simple and compound evolution the reader must not get the idea that social forces do not act in concert and divide also.

All forces contributing in any way to the progress of the body politic act together as one single force—just as life unifies the complex forces of our bodies—and value is the name we have given this force in its united and single power.

And although value is redistributed as rapidly as it appears and attaches to property and products of industry there is not, therefore, any sparate action of such forces.

It has been a great mistake in political economy to suppose that social activity was a result of a multitude of independent labor forces that acted in concert by accident only, and because of human legislation.

This division of value into primary and secondary, or into circulating and fixed, is important not only in understanding the distribution of wealth, but, also, in discovering the causes of unequal distribution.

The proper distribution of wealth depends upon the natural proportion being always maintained between simple and compound development.

If for any reason the increases in value that come with new development, and appear in the centers of distribution, fail to be redistributed as an increase in wages and an increased circulation of money, the industrial forces are thrown out of balance.

As a preliminary to the circulation of money there must exist a certain industrial activity in the community under consideration.

This activity will be balanced by an amount of value which is equal to it, and this value must be considered as a unit before it is measured out for purposes of circulation.

Simultaneous with this activity, and this appearance of value, will be the appearance of products to which this value will be measured out as they come into the market.

The next step is the valuation of these products by society and then money begins to circulate and carry back the payments to labor and capital.

As has been explained the value of money is required by nature to be more stable than values of any other kind, because this money value is the nearest approach we have to the force itself.

It is important to understand and appreciate this truth if the reader would understand the commanding power of money in every financial disturbance.

When the normal circulation of value is interferred with and the total amount of value suddenly falls as in a panic, then goods and property of all kinds must be scaled or measured down to a lower price and a lower basis of value, money does not change at such times while other things may be changing rapidly.

In order that the entire amount of property may be measured down to a lower amount of total value it is necessary that great quantities of property may be rapidly exchanged for their value in money so as to establish the new price, hence, there arises, for a short time, an enormous demand for the use of money and the rate of interest may increase fifty or a hundred-fold.

If we could imagine such a suspension of activity as would practically cut off the income of property and wages of all kinds there would be a corresponding decline in values, but money would hold to its value until the value of all else had vanished.

This fact will give us a useful rule to remember in the concentration, or in the distribution of wealth, namely, where a country is suffering a relapse in its progress, by panics or chronic hard times, the owners of money possess an enormous advantage over the owners of property because, at such times, the value of property declines while the value of money remains stationary, profits are destroyed and the high interest for the use of money becomes a heavy burden.

But, on the contrary, when development proceeds according to the natural order then the producers and owners of property have an advantage over the owners of money because, at such times, other values are increasing while the value of money remains stationary, and profits are greatly in excess of the rate of interest thus diffusing and distributing wealth.

Circulation begins by money paying out the value of society in buying commodities for sale and distributing them to consumers.

This circulation of money for commodities will continue as long as there is value to pay out for that purpose, and when the supply of value runs out then circulation may continue for a time on borrowed value until the market is glutted with goods.

As commodities are sold to retail buyers, and taken from the market to be consumed, their value is released and set free to be again taken up by money and again imparted to new supplies coming into the market.

As a commodity becomes more or less fixed in its development there will be definite channels of value more or less fixed which will limit production to definite quantities of goods and the market must wait for one supply to be consumed before another supply can find room.

The amount of value appearing in the market which fixes the retail price of goods does not bear any definite relation to the value of labor or capital producing such goods, but is usually and naturally much higher until development reaches its completion.

The reason for this is not at all obscure because in the early beginning of industry labor can not command higher wages than is determined by its own unaided efforts, and, as a result, wages start on a basis of labor force alone, and the allied forces helping labor give rise to increases in the total value which become profits to buyers and sellers in the market and to employers of labor.

It follows, therefore, that the value of goods in the market should carry a wide margin of profit, and this in its turn should, by reinvestment, increase the demand for labor and raise wages.

It may appear at first sight that the laws of nature favor the unequal distribution of wealth by allowing new floods of value to increase the wealth of the mere owners of money and accumulators of property who find their possessions increase in value without appreciable effort on their part.

To a limited extent it is true that during stages of rapid development Nature does favor the originator, and developer and builder with floods of value, but it is for the purpose of conserving value and of bringing about economy in the use and disposition of her forces.

Some plan had to be devised to induce men to construct society, to build homes, to build cities, to make improvements in transportation, and to apply labor saving and time saving devices, and it was the flow of profits that secured these results.

There is an extreme beauty and simplicity in the plans of Nature, and their wonderful effectiveness so satisfies the mind, and so convinces the judgment, that we feel sure no other plan is possible, and so all men and all minds, must at last agree and unite with Nature in her plan and thus we will secure perfect co-operation and harmony in society.

But Nature does not allow unequal distribution to continue

for any length of time, and only allows it so as to secure a better distribution a little later.

We must remember that structures of every kind, and products of all kinds, have a relatively short life, and although some men may naturally secure much wealth during active development, while wages remain low, the natural decay of all property tends ever to return it again to the common fund and wages should increase continually from the redistribution of this fund.

And although this profit, which is the basis of the wealth of merchants and employers, comes to them at times in floods of value it only comes because they increase the facility of labor in some way, either in saving of time, or material or force.

But by looking a little deeper we will find how wonderful is the plan that guides these same profits, and we will find that Nature does not suffer them to go to capitalists blindly but, to use a slang expression, she has a string tied to them by which they are pulled back to become higher wages for labor.

When you have discovered the truth that the conduction, or circulation, of value is backwards you have made a great step in understanding the distribution of wealth, and when you follow these profits backwards you will find a law of redistribution by which these increases in value must increase the standard in living or civilization will be destroyed.

Thus while Nature is distributing profits most generously with one hand, to all her workmen who aid in the organization of society, the other hand is held back and is heavy in its punishment for the society, that interferes with the redistribution of these profits.

It should now be clear that value appears first as a social fund and attaches to money and property, and the gains in this fund increase the values of property, leaving wide margins of profits, and these profits allow accumulations of wealth to merchants and employers of labor who become capitalists in this way.

But there is a simple law of the redistribution of these increases in value that requires that all products must be bought and all incomes must be paid out of the wages received by laborers.

Here we come to what may seem to be a paradox. How is it possible for labor to buy back at retail a product for which two dollars is demanded when the total wages paid in producing the product were but one dollar?

The same labor producing a product and getting less in wages than is the market price, can not buy back all its products, but we must remember there are other laborers to be provided for who must be paid out of the value distributed by this product.

If one-tenth only of labor was engaged in producing the whole of our commodities, and the other nine-tenths were otherwise employed, the value of such commodities on the market must be high enough to pay all wages.

This is to say that the volume of value circulating for any definite time, say for one year, in the goods market, is the sum, and the only sum, at our disposal with which to pay wages and buy back the goods.

This value is furnished by society and as it has become the property of a small part of the people it is used to make advance payments by loans to labor, and wages are paid out of these advance payments and with these wages all goods of whatever description must be bought and all incomes and taxes must be paid.

We can see these facts in our daily experience and see how the market for goods carries with it the value that pays the railroads the freight, the rents of the landlords, profits of the merchants, etc., and how in this way millions of laborers, not directly engaged in production, are provided with the value from which they receive their wages.

In this circulation of value—beginning with money paid out in the market for goods, and this money carrying value back along the entire wage line—the secondary redistribution is more important than the primary distribution, because primary production may continue for a time after secondary distribution fails and the market will then be glutted with unsalable goods.

When the volume of value is low it will limit the volume and the price of goods of every description and this will interfere with wages all along the line of development.

Hence, it follows when increases in value, arising from an improvement in production or from any increase in social energy by government, by education, or invention, are held back and are not redistributed in new wages or in increases of wages, the whole circle of social activity is interferred with because primary activities are always dependent upon secondary redistribution, and secondary activities are always dependent upon primary distribution.

This is to say that wages of labor of one kind are always dependent upon wages of labor of another kind and all other payments depend upon wages, and no class is self-supporting.

The much vaunted independence of the farmer is a myth for he depends for his market upon the wages paid in manufacturing and trading.

These floods of new value which appear first as profits, and make capitalists out of the thrifty and enterprising members of a community, carry with them a correction for what would speedily become an unequal distribution of wealth.

The reader must not imagine that enormous profits pile up at all times for every capitalist without ever encountering a loss and he must not imagine that these profits would be permitted to be withdrawn from circulation by Nature.

Profits are highest where the risks are greatest, and where the value involved is least; hence, there is practically an unlimited field for participation in such profits.

But the losses here are also greatest, and our experience with losses soon lead us to respect the natural law and to seek safer investments at lower profits.

The greatest quantity of profits, or new value, appears regularly in the goods market and come periodically with the marketing and consumption of goods.

The merchant who is seeking a profit and has secured his share of it begins immediately to encourage an increase in wages by increasing his purchases.

This brings about a speedy correction of profits and a wider distribution because the former gain becomes a new demand for labor, and an increase in quantity of goods is followed by a lower price and lower profits and an increased purchasing power of wages.

What may appear at first sight as a drain upon wages in this harvesting of profits will upon close examination develop into an increase in the wage fund unless otherwise prevented.

Remember that the law of redistribution requires that products must be bought back by wages in order to keep up the circulation of value, and it is the plan of Nature to constantly increase wages in order to increase social activity.

Suppose a merchant gains from profits in one year the sum

of ten thousand dollars, this gain must then be spent either to buy an increased quantity of goods or to construct a building giving him an income.

In thus spending the ten thousand dollars this sum gets back into the wage fund and we may suppose it was never in that fund before, and it must therefore employ new labor or else increase the wages of labor already employed.

There is, then, an increase in the circulation of money of ten thousand dollars which has passed out of the hands of the merchant and has become wages in the hands of the laborers.

This money becoming new wages of laborers who will employ in turn other labor as soon as it is spent, and these laborers now take the place of the merchant as employers by becoming buyers of commodities.

Thus it follows that when gains in business are spent for new development they continue in circulation as an increase in the wage fund, and after the merchant has spent his thousands of dollars we may allow him to drop out, and although he makes no profit in succeeding years the former profit should continue in circulation and would do so unless it is interfered with.

This continual circulation of value from wages to profits and from profits back to increased wages is only comparable to the plant and the seed; as the plant grows to maturity it produces the seed by which the plant is reproduced and brings forth the seed again, and once started this process continues as long as conditions are favorable.

This continual redistribution of the increases in value should go on until all labor is fully employed at the highest wages society at large can afford to pay, and until all the means of production are fully utilized.

Every new laborer put to work should add more by his activity to the total value than he can get in a return as wages because a part must go to the general benefit, and every extension of development to new lands, and streams, and mines, and every invention and improvement in morals, in education, or in art can but serve to add to the total of social energy, and increase the total fund of value and should continually increase wages and diminish rates of profit.

But to return to the merchant, who in spending his gains by

building a structure costing ten thousand dollars receives an income from it, you may ask how about this wealth, does it not come unearned to the merchant from labor in general?

We have demonstrated that the value taken from society by the merchant—namely—ten thousand dollars in profits—is returned to circulation again as an increase in wages as it is spent in building and the mystery to be solved is connected with the value of the structure which gives the merchant an income.

This structure will have a value greater or less than ten thousand dollars, and its value has no connection in particular with the money spent for it.

In order to be valuable this building owned by the merchant must in itself combine an organization of forces and of properties of materials so as to be worth as much to society at large as the value it contains.

To make our subject more clear let us suppose the merchant gave away his ten thousand dollars so that he received no benefit himself but it went into circulation just the same as if a building had been constructed.

It is clear that although you might applaud him as a benefactor yet in the last case he would have done an inujry to society by his charity and society would have lost the benefit it should have received from an intelligent investment in a needful building.

In considering whether wealth could not accumulate with injustice in this manner there are just two considerations which demonstrate conclusiyely that it can not.

The first of these is the natural decay in property of this kind during which its value is released to go into circulation again for new construction at a much higher rate of wages and a much lower rate of profit.

When development is not interferred with profits are highest and wages are lowest during the early stages of construction, and the continual return of increases in value to circulation would and should continually increase wages, therefore, as these structures began to pass away the development of the country should have proceeded to a point where a higher rate of wages enabled labor to get an increase in gain for itself and should make all accumulations of wealth easier for the laborer and slower for the capitalist.

The second consideration is the natural limit of property of

this description by which the value of this class of property is held down to its true proportion to other values.

When fixed property is behind circulating property in development its price rises above its cost of construction and there is the same inducement to extend such enterprises and increase the number of buildings as there is to increase the output of commodities on account of the profit to be gained.

It is plain that there is a natural limit to social energy brought about by the limit in the number of laborers and by their natural inclination to work no more than is agreeable, and by the limit in the extent of the forces and materials at their command.

This limit in social energy fixes the limitation in the quantity of value and makes necessary the maintenance at all times of a balance between the values of property of every description and the products to which this value attaches.

Fixed property requires care and labor to be maintained and it is a law of value that such property is not allowed to take more value away in the shape of income than it returns by the help it gives to the active forces in society.

Then it follows that we might increase the quantity of such property until its care and maintainance became a burden instead of a help to society.

The moment fixed property gets in advance of the entire development there will come a shrinkage in the value of all such property and this shrinkage soon allows the poorest and least fitted to decay and pass away so that the value of others is again restored by the value released from abandoned property.

In this way the rate of profit finds its true level and the various quantities of value devoted to various lines of development are kept in balance, and thus a balance is maintained in the forces of development, and in the circulation of value, and in the distribution of wealth.

CHAPTER VI.

INTERFERENCE WITH CIRCULATION.

In looking at the circulation of money, as we see it when we look at the facts, we get a vivid picture of the action of value moving vast columns of supplies and moving vast armies of labor in every conceivable direction.

Without an appreciation of the fact that all these supplies move as value directs them to move, and all this labor is exerted as value determines it shall be exerted, we could form no idea of social order.

Without a knowledge of the laws of value, which direct the activities of men, we would regard society as a scramble to get to a table to eat and drink and crowd down and trample upon others, in our haste for fear there is not enough for all.

But when we come to appreciate the order and harmony of social arrangements, and when we see how bountiful is the provision made for all of us, and how generous is the feast spread for us, we then begin to realize that even the weakest of mankind should earn a social position of comfort and simple luxury.

In looking for the cause of the unjust and unequal distribution of wealth, we must look for a cause that is great enough to produce the effects.

It is absurd to talk about the robbery of labor by capitalists and middlemen, and to infer that the source of low wages in some loss of profits from the present earnings of labor.

Such claims and assertions fail utterly to account for the facts and amount to nothing, can be of no help to any solution of the problem, and can not lead to any discovery, because, even if we admit that profit is a robbery of labor, the cause is utterly inadequate to explain the effects.

Countless millions of dollars have been withheld from labor and kept out of circulation in the past and thousands of millions are held back from labor every year, this is the fact to be explained, and such an explanation as that labor is robbed through

profits fails utterly because if labor could keep all the profits, even then, wages would be far below the natural standard of living.

The utter inability of all prevailing theories to furnish any adequate explanation of the cause of unequal distribution of wealth springs from false ideas of the source of wealth, and from falses ideas concerning the methods of accumulation and increase in wealth.

Value is the source of wealth because wealth only arises on account of the value of things, and wealth is the source of labor because labor is exerted in order to secure wealth.

The false idea, that wealth consists of things rather than of the value of them, is responsible for much confusion of thought on this subject.

On account of this idea reformers seek to change the ownership of things instead of the much more simple plan of changing the flow of value.

If we will only look at the facts, that are on all sides of us, we must see that men get wealthy by manipulating values, by causing property to rise in value when they sell, and decline in value when they buy, as in stock manipulations.

Or to speak more accurately, since fluctuations in value are largely beyond human control, the men who become wealthy do so by changes in the value of property which are constantly in their favor.

The wealth of capitalists does not consist in tangible and material forms of real property, but in some form of legal instrument by which they are able to control the value of property.

Thousands of millions of wealth is in the form of mortgages, bonds and stocks by which the owners are relieved of all the cares of ownership, but which enables them to enjoy all the benefits of wealth.

Although the Political Economist failed to acquire any definite idea of value from modern development, the capitalists of the world learned to have a very lively appreciation of value, and acquired a deep knowledge of how to manipulate it and have it flow to them.

In the recent development of great wealth, and its rapid concentration to a few owners, there has come into existance, a knowledge of value as the essential core and essence of wealth.

Modern development has given rise to a separation of value from the things to which it attaches.

This development consists in the multiplication of corporations and in the increase in the quantity of bonds, mortgages, stocks and bank deposits, all of which are a species of money, being the money of compound value—that is to say, they have an exchangeable value based on fixed property that makes them almost as secure as money itself.

In order to obtain a security for the value of bonds, mortgages, and stocks of the first class, the value of the property pledged to pay them must be considerably greater than the value of the securities.

In this way the fluctuations in value do not reach these capitalists, and they can not suffer a loss until the owners of the remainder of the property are wiped out by a decline in its value, then they can buy it in, wait for a favorable rise in value and sell an interest large enough to protect themselves from a similar loss in the future.

It is important to note this fact, and to note the growing tendency of wealth in this direction; because for this reason wealth is much more unequally distributed than it may appear.

In times of panic, and during declines in the total value of all property, this class of capitalists find their share of wealth remains steadfast while the wealth of the great middle class is melting away in falling prices.

At such times, therefore, practically all of the wealth of the country belongs to the small but enormously wealthy class, and at such times large sections of the middle class, who own mortgaged property, drop out and fall in with the poor and dependent classes.

With a proper conception of value this movement of property and this separation of value from property is explained.

The essence of wealth is value, which is but crystalized social energy, and as a result the control of value carries with it the control of wealth, and the control of all social forces.

Another false idea associated with wealth is the idea that its accumulation is a slow process of saving and self denial.

According to this idea the wealth of the country is a result of long saving in the past, and of a long sacrifice of pleasure, whereas wealth grows by leaps and bounds as new forces are put into action.

It is remarkable that an opinion so contrary to the plainest of facts could have had a respectable standing among a thinking people.

The activity of society, from which wealth springs, is a result of spending, and saving throttles the action of social forces and of the production of wealth, speaking generally.

When we remember that wealth springs from value and not from labor, and remember that the circulation and distribution of wealth is backward from society to its members and not forward from labor to society, we may easily discover the sources of the accumulation of wealth, and the causes that interfere with its distribution.

As already explained value is social energy, and it develops in the heart of society from where it is distributed to every organ and to all the tissues, and the quantity of value increases as social energy increases, as more men and more machines are put to work.

The paradox in society to be explained—the riddle of the Sphinx; is this accumulation of surplus value in enormous quantities in the hands of a few owners for investment and the loss from circulation of the countless millions of value which the masses require in order to live an orderly and virtuous life.

We must demonstrate that this enormous accumulation of value has no outlet, and can only be invested and reinvested and thus make room for itself by an increase in the value of the most desirable property, and demonstrate that trade and industry suffers because this same value is prevented from flowing in its natural channels to circulate and distribute wealth among the masses.

If the reader will keep in mind the natural law of distribution this demonstration will be comparatively simple, because we have but to point out how the increase in value is held back and prevented from going to increase wages, and, therefore, piles up as useless capital.

The natural law of distribution of wealth, as was explained in the last chapter, is based upon the appearance of value at centers of trade before any value attaches to the products of labor, and upon the fact that value is a social product and is not an individual product.

This appearance of value in centers of activity coming in quantities that equal the quantity of social energy, and the appearance, at the same time, of products give us to understand that all this value should in some manner attach to these products.

If the consumption of goods is to balance the production of goods, if demand and supply are to be in perfect accord, then the value which accumulates in the market must all attach to products so that labor can buy back its own production, otherwise the market will fill with unsalable commodities, prices will fall, current wages can not be paid, and a panic must follow.

The reader must not understand that this total value must all attach to commodities but it must attach, also, to materials used in all kinds of construction, and when these advance in value then all buildings already built advance thus keeping the market in perfect equilibrium, and taking up the surplus value.

Labor and capital are paid with value delivered to them by the circulation of money, and they can not be paid, in our civilization, in any other way.

The value with which to pay labor and capital, which is also the amount due them from society, can only be determined after goods come to the market, and after the value comes to the same place; and distribution can only be made after the goods are sold and the value is released and returns to labor and capital in the form of wages and profits.

If it was otherwise and labor and capital engaged in production could fix the amount of value they were to receive, and fix the value of goods before they came to market, then any kind of a product, whether it was suitable or not, or whether it promoted society or not, could have a standing equal to any other product, and would thus destroy all order and all proportion in development.

The next point to consider, after we consider the backward circulation of value, is the manner in which the increases of value should be distributed.

For the purpose of illustration we will call the total value in the United States as being worth ninety billion dollars.

This total value is a social force that just balances the forces at work that build and maintain this body politic, and each of such forces at work in society contributes its proportional part to the total value.

While we can not estimate, with any degree of accuracy, what any particular combination of forces may contribute to the total value, yet it will assist our understanding to approximate some of the contributions to the total.

We will say, for example, that the invention and application of the sewing machine resulted in an increase of total value of five hundred million dollars, and the continued use of that invention sustains such a sum of value at all times.

That any interference, which would put half of this invention out of use would cut this value one-half, and any increase in activity that would double the sewing machine power would double this value.

We may suppose that the operation of our steam railroads add and sustain twenty billion dollars of the total value of ninety billions, and when they are crippled for want of business there will be a corresponding decline in this value.

In this way the total value is made up, and by this activity it rises or falls in quantity.

The law of redistribution requires that this total value shall divide and be apportioned among all the contributing forces in the exact ratio in which they contribute.

As each of these combinations of forces give rise to a sum of value in proportion to the energy they expend for society, so should value return to them and be a measure, and an indication, of the part they play in the grand drama of civilization.

As we examine into the divisions of this total value, so as to uncover what factor in society is getting so much more value than it contributes, so as to furnish us the cause for the lack of value in all other branches, we come upon a remarkable discovery.

In examining the various items of value that make up the total we discover that the value of lands, lots and mines absorbs almost one-half of the total, being at least forty billions out of a total of ninety billions of dollars.

When we begin to inquire what sort of activity landowners contribute to the progress and success of society, that they should be permitted to absorb almost one-half of all the benefits of civilization, and deprive the vast majority of people of a chance to live a decent life, we are astounded to discover that they contribute nothing.

And when we probe a little deeper into this question of land value, we are more than ever amazed to find that not only does landowning contribute nothing to the progress of the human race but that the value of land measures the actual damage done to society, by them in preventing the advancement of humanity.

Think a moment of this tremendous truth—that in the value of land we discover a damage to human progress that is measured by forty thousand million dollars worth of social energy turned away from development.

If this is the fact surely we are now at the heels of a cause that is great enough to account for all the evil effects we see around us, for the idleness and misplaced labor, for the intemperance, vice and crime which follow, and for the degradation of low wages that compels most families to live the life of animals.

That the value of land is a measure of damage to the progress of the human race is not difficult to prove because the interference with progress is so general that the cause must be almost self-evident.

To establish this proof we ask the reader to consider the enormous loss inflicted on the great mass of people who have failed to receive their share of modern development.

We must find this loss, and it can only be said to have been found when we have uncovered a sum great enough to account for the loss, and the proof is conclusive when we find that such sum is taken out of circulation to become a value of land without giving society any benefit in return.

Land value presents two aspects, and the difficulty in seeing the damage done by it arises wholly on account of this condition.

Property in land, like other fixed property, has a fixed value and an annual income upon which its fixed value depends.

Many economists admit that this annual income is a sheer robbery of society, but they are unable to see that the much greater sum, the fixed value of land and not the annual income, is the measure of damage.

The proof of damage will fall—not upon the income received by landowners—but upon the absolute value of land which the annual income enables landowners to withdraw from circulation.

This is a very important difference because the annual income does not exceed one and one-half billion of dollars based upon a fixed value of forty billion of dollars.

This brings us at once to the center and core of the dispute in the unequal distribution of wealth, and opens up the problem in its full significance.

In Feudal times as soon as a peaceful commerce developed

upon the principal rivers of Europe, the Feudal Barons, who claimed to own as much of these streams as was included in their estates, fastened chains across the rivers so as to halt this commerce at their castles and compel it to pay tribute for the use of the rivers.

The Barons drunk demanded and received more tax than the Barons sober and the effect of this system of taxation is familiar to all readers of history.

The commerce that was in progress of development on these streams, and the dependent industries that were building towns and cities to supply this trade, was stopped short in its career, and as the trade was destroyed the industry of the people was destroyed also.

In this illustration the damage done by the Feudal Barons is not to be measured by the tribute levied upon the commerce of the rivers, but by the value of the trade and industry destroyed.

On one of the corners of State Street in the City of Chicago is an old five story building worth not to exceed sixty thousand dollars; the merchant who uses this location and building pays the owner a rent of sixty-five thousand dollars per year. The owner of this property need not go to the trouble and expense of interfering with the rushing traffic of this street to collect his tribute from its trade because the merchant can afford to give the public better facilities, a larger selection, and a lower price at this location than at another where the traffic is not nearly so great.

In this illustration the owner of the building and the location is a capitalist because he furnishes a building, and a landowner because he controls the location.

The sixty-five thousand dollars of rent per year includes two items, one is the profit to capital for the use of the building and the other is profit to landowner for the use of the location.

Suppose we allow the capitalist a profit on his capital of twenty per cent. per year which will produce twelve thousand dollars a year for the use of the building worth sixty thousand dollars.

To subtract twelve thousand dollars from sixty-five thousand dollars rent leaves a profit to the landowner of fifty-three thousand dollars a year for the location.

This income of fifty-three thousand dollars a year will sustain a fixed land value of not less than a million dollars, for the same reason that the twelve thousand dollars a year sustains a building value of sixty thousand dollars.

This brings us now to the heart of the question and we have to demonstrate that the damage to society, by this system of feudalism, is to be measured by the million dollars of land value, and not by the fifty-three thousand dollars of annual income.

We will first examine the source of the annual income which is paid for the use of this exceptional location.

Here we discover that it would be quite difficult, if not impossible to prove any damage to society because of this payment.

The source of this fifty-three thousand dollars is in time saved by the use of this location over any other location in Chicago.

Although the land owner may have no claim on this saving of time yet the occupying merchant does furnish the facilities by which the public saves time enough to counterbalance the rent, and the merchant may be considered to be an agent of the landowner according to the terms of their contract.

This favorable location is an effect of building the City of Chicago around the center of trade, and the annual rents result from a gain to the public on account of being able to trade to greater advantage at these favorable points.

Thus if the landowner did not himself receive this sum of fifty-three thousand dollars per year it would swell the profits of the merchant, because prices are determined by world wide considerations, and the public does not suffer on account of this rent.

When, on the other hand, we come to examine the source of the million dollars of land value, which the owner may receive at any time from the sale of this property, we come upon an entirely new and original proposition.

The source of this million dollars of value is the industry and activity of society to which the landowner is not required to contribute one cent for the million dollars he may take away.

It follows as certainly as two and two are four that this sum of one million dollars in value, and the forty thousand other million dollars of like value, is taken out of circulation without any return to society.

In order to see this problem more clearly we must remember that this location, now worth a million dollars, has increased in value from nothing to a million dollars without any change in the property itself, differing in this particular from the value of all other property.

This increase in land value came to these fortunate individuals as a result of the growth and wealth of Chicago which was a result of a great concentration of social energy within a comparatively small space.

The cause of the development of the City of Chicago was the meeting at that point of many lines of trade, the economy of forces and the saving in time over the same forces expended at any similar place within a radius of many miles.

This saving and economy, in the expenditure of social energy, gave rise to large profits to capital and higher wages to labor at Chicago than at other places.

Thus labor and capital were attracted to that location on account of its advantages in the circulation of value and proceeded to build the city.

The owners of the land upon which Chicago is built held the power in their hands to drive away all this labor and capital by demanding such a price for their land, as to force wages and profits below the general level.

In the beginning of the development of Chicago such power was not realized by the landowners, and as but little value was in existance at that place land was almost worthless.

There was thus nothing in the way of a start being made in building this city and to encourage labor and capital to concentrate at that point.

But as labor and capital began to build, and manufacture, and develop trade, there was a great increase in the quantity of value in circulation.

Centers were soon established where profits were greater than the average and the competition for these locations began to bid up the value of land, and bring a new form of investment into the market.

As the total value increased the power of landowners increased in greater ratio and they demanded, and received, a constantly increasing share of the wealth of the community.

This demand for increasing prices of land withdrew increasing sums from circulation, and it was only as long as increase in population and increase in production, kept pace with these demands that the growth of the city was not interrupted by panics.

But these demands soon outrun the power of satisfying them, and as land value would advance investment would leave other

channels and buy land, and a boom in realestate would result which would be followed by a panic, because the value withdrawn from circulation left business without the means of life.

The panic and low prices destroyed all legitimate profits in trading and manufacturing, and brought all industry to a standstill, and as all incomes failed, including the incomes of landowners, a great shrinkage in all values followed.

In the hard times and low prices, following a boom in real estate, land was forced to a lower price, and as industry started up again the value thus set free could attach to goods and was sufficient to allow living wages and profits and a new season of prosperity followed but with production on a lower margin than before.

In the settlement and adjustment of prices, which follows a panic, the land would retain as much of the value it had taken as labor and capital could be compelled to give up, and this reduced the profits of capital and wages of labor to the lowest standard of living.

For this reason the wages of common labor, being subject to the hardest competition, could never advance with the increase in wealth of society and rise to the higher standard of living provided by a newer civilization.

The natural law of the distribution of wealth requires that all the increases of value, arising from increasing powers, must be distributed and paid out in wages in order to supply value to the market with which to buy back the products, and thus relieve the market of goods.

The value of land is an interference with this law, and takes up this value as fast as it develops, and prevents this increase of the wage fund.

The new powers of production soon fill the market with goods for which no buyers are to be had, because the value with which to buy has never been distributed to them.

The method by which land value increases at the expense of wages is made clear by the law of the circulation of value.

The quantity of value always depends upon the quantity of social energy, being expended at the time, in carrying on the work of society.

This value appears in the market before products appear and attaches to money; and money measures out the value to products

as fast as they appear, but when part of this value is diverted and absorbed then money can only measure out the value provided for commodities, and prices fall and goods fail to find buyers.

The quantity of value in the market, coming there as a result of production, always exceeds the cost of production, leaving a wide margin for profit to employers of labor and merchants.

The entire problem of distribution hinges upon the investment of these profits, and when they are used to increase land value the redistribution fails, and wealth concentrates.

The investment of profits should always be made in new lines of development, or to increase old enterprises, and when this is done the power of consumption in the market is always ahead of the power of production by the amount of the profit.

New enterprises called into existance by the investment of profits, and the increase in old established lines, brings new social energy into play and again increases the value available in the market.

The time comes rapidly, in such cases, when wages must begin to advance to take up this surplus value, and expand the market to the widest extent, thus making an outlet for products equal at least to our powers of production.

The interference with this circulation of value arises the moment some property offers an investment for profits that will not employ labor, or increase development, or bring new enterprises into play.

Property in land offered the most desirable form of investment to be found in the market, and this property caused a continual interference which was only checked by repeated panics.

The annual rent for property in land was the most secure basis of income in the market, and on account of such security every dollar of such rent would put twenty dollars of investment value into land before a dollar income from capital would call out ten dollars for investment in new structures.

Land does thus capitalize on a much lower basis of profit and absorbs value much faster than the capital employed in production or trade.

The value of land must be regarded as a value held out of circulation, and regarded as being the efficient cause of all the evils that attend our unequal and unjust distribution of wealth.

This value is a permanent and persistant interference with the progress of society, doing evil, not only by the vast sums it takes away from mankind, but doing a double damage by preventing the progress that would result from the use of this enormous value in development.

It may be worth our time to inquire into another form of unearned value, namely, what is known as water in the valuation of other forms of property, meaning a value greatly in excess of the cost of reproduction.

Without doubt the profits in many enterprises that pay dividends upon issuses of watered securities supplies a fund similar to value in land, and holds such value out of circulation, provided, that if such values were set free land would not pick them up and add them to its own.

But when we examine this question closely we will find that these issues of water securities are but an effect of the competition with land value, and of the low rate of profit and of the surplus of capital brought into existance by it.

The value of land being held out from its natural channels attempts to get into circulation by competition.

As this value is loaned out it increases the output of factories by increasing their number, and increases the number of merchants, thus dividing profits into low rates.

Wages not having been allowed to advance to their natural level, on account of this loss of value, furnish the explanation of the large earnings of railways, and other monopolies, by which they support their great issues of securities.

If land value was removed, as an interference, the immediate increase in wages and the consequent decline in quantity of capital would at once correct the evil of overcapitalization.

CHAPTER VII.

CORRECTION OF CIRCULATION.

The remedy for the unequal distribution of wealth must be found in a change in the currents of value for the reason that value is the cause of the wealth which is distributed by the flow of this force.

The value taken out of circulation, to become a value of land, must be restored to trade and industry.

The problem of correcting the circulation of value is a very simple one and consists only of taking the annual profits, received for the use of locations of all kinds, for public purposes by a new system of taxation.

This system is well and most favorably known as the Single Tax, but its effects upon the distribution of wealth are not well known or even appreciated.

As a method of taxation the Single Tax has been so ably and effectually presented by Mr. Henry George as to silence all opposition.

It is universally admitted among students that the single tax should supercede our present system on account of its merits as a tax measure alone, if it had no greater virtue.

But we expect to demonstrate that the effect of this system will change the current of at least forty billion dollars' worth of value, in the United States alone, and solve all of our great industrial problems.

In the days before railroads were built when communication was had with ox teams, and springless wagons on wooden axles, it would indeed have been difficult to point out the advantages of modern methods, although we easily appreciate them now.

At such times it would have been a hard task to prove to travelers that a much less expenditure of force on a steel track could carry ten times the load, a greater distance in an hour, than was being done in a day.

We meet such a problem in trying to explain the benefits of a

just and equitable distribution of wealth to a public who are struggling along hub deep in the mud, walking half the time, helping to push the load, swearing and cursing the team, the road, the driver, God and the Devil.

The distribution of wealth is admittedly so bad that no illustration can add to our knowledge of it, but roads were admittedly bad a long time before people roused themselves to better conditions.

Every one is willing to admit that roads are abominable and growing worse, that they interfere with the happiness and wealth and progress of the community, but when they contemplate the cost of a change the heart fails and they submit until conditions become intolerable.

Just as opposition has been encountered in improvements for the general benefit in times past because of the expense, and the fear of property-owners that they may have it to pay, so may we expect opposition now.

But as improved methods of taxation in cities has dispelled opposition by placing the burden of cost upon the property benefited, so may we expect opposition to fade away as the effects of the single tax and its general benefits are appreciated.

When a new railroad is planned to connect scattered communities with some important commercial center the investment is calculated on a basis of existing conditions, and upon the existing traffic to be moved.

The secondary effects of railroad construction, however, have greatly exceeded the estimated and primary effects.

Not only was the market increased beyond all expectation, and the tributary territory relieved of its congestion of products, but a new circulation of wealth came into existence, the benefits of which were far reaching.

The effect of an important railroad is to open up new lines of industry in every direction, causing new towns to be built and old ones to take on new life and grow into cities.

Factories are added to factories and stores of new merchandise to stores, and all trade expands beyond the fondest expectation.

The problem confronting society, which is made plain by the congestion of wealth among a few people in great centers of trade and the impoverishment of the great masses of mankind, is not unlike the problem presented to railroad builders.

When we consider, therefore, the congestion of value to be redistributed as a primary proposition, we must also take into account the secondary effects which will greatly exceed the expected benefits.

We may only be able to explain how the idle and surplus value seeking investment may be restored to its natural channels, and thereby cause a wonderful revival of industry and a great increase in wages.

But the much greater results which will follow this primary adjustment, by a higher life, a better religion and morality, by a new faith and a higher conception of God, may not be as clear to the student.

Our problem reduces itself to a single primary proposition and this is about the disposition of the present value of land after the profits of ownership have been taken away.

It is admitted on all sides that if the annual income now received by landlords for the use of favorable locations is taken by the government for taxes then the fixed value of land will disappear.

The reason of this is very simple and is found in the fact that to deprive income property of its revenue is to destroy its value or drive it away.

The proposition we seek to establish is that the value of land is a part of the general value of society and does not depend upon any inherent quality of land or location or mineral, but does depend upon the activity of the forces of industry.

The result, then, from this standpoint, granting that industry would not be checked by this system of taxation, must be that the total quantity of value could remain unchanged and the present value of land must seek its natural channels of circulation.

The complete demonstration of this problem is found in the laws of value already considered.

But for fear the reader may believe the subject-matter is beyond his grasp, and he is unable to conceive of value acting as an objective power, there is yet another method by which he may be convinced of the truth.

Nature has a plan, in all of her laws, to convince the understanding against the will, and against settled beliefs, by the fact

that when the mind once entertains a great truth it is driven to accept it because any contrary opinion is beyond power of conception.

In the case under consideration, when the truth is once plainly stated the mind will perceive that anything to the contrary becomes impossible.

Let us examine this proposition, then, from the standpoint of an axiom and see if we can imagine any other result than the one claimed.

It is admitted that the forty billion dollars of value will leave property in land, and now we ask where will it go? What will become of it?

Are we to be told and expected to believe that the first result of the single tax will be to reduce the value of all property in the United States from a total of ninety billion dollars' worth to a total of fifty billion, and it will entail a loss of so much wealth to a single class of the country?

It will not answer to say that land is not wealth and should have no value because we are not speaking of land, but of the value of land, and the present value of land is wealth, all argument to the contrary failing to change the self-evident fact.

This clearly reduces any other proposition opposed to the one here submitted to an utter absurdity and to leave no room for comment or argument.

Then we are compelled to admit that when we take away the annual income that now supports the value of land we set this value free and do not destroy it.

We now come to the important question of what becomes of this free value driven from property in land? Where does it go and how does it get there?

Again, we will find that the laws of Nature leave no room for more than one opinion on this subject, and we will be forced to admit that this value set free must attach to the remaining property and increase its price according to the same laws of distribution by which the present value of such property has been apportioned.

Consider again how simple is this great truth and how surely the mind must refuse to entertain any contrary opinion.

We have in our problem a total quantity of value estimated for the United States as ninety billion dollars' worth and we admit this value is independent of the property to which it now attaches.

We admit, also, that the activity of social forces, upon which this value depends, will not be impaired by the proposed change in methods of taxation, and, hence, it follows the total value will not decline.

Having, therefore, a constant sum of value, which we will not diminish in changing the currents of distribution, and, also, a supply of property to which this value now attaches, we decide to withdraw one class of property containing value to the amount of forty billion dollars from the present market.

We have thus decreased the supply of property almost one--half without in any way impairing the demand, and we may be sure what now constitutes a demand for land will then become a demand for other property and in this manner transfer the present value of land to other property.

We now come to consider the method by which this change occurs and we encounter the mystery of measurement by society at large.

Consider the egg market as an illustration. We have in this example a variable supply operating against a fixed value just as we have in our problem of land value.

During the months when eggs come into the market in large quantities the value being limited, results in a fall in price, and as the season closes and the supply begins to diminish the same value covers a smaller supply at an increasing price.

In this illustration we have a definite quantity of value that keeps our market supplied with eggs, and when the supply is low this value divides up according to this supply resulting in a high price and gives encouragement to increase the supply, and the price falls as the supply grows.

This is true of every price in the market and therefore the same law applies to the value of land which, being set free, will increase every other fund, and give us more value in every line, and the value that was taken from the market will again be restored to the market.

We may claim, with the assurance of having the truth on our side, that each particular item in our social economy, such as eggs, meat and clothes, etc., etc., will each receive their share of this land value when it has been restored to the general fund of society.

The interference of property in land by which it was able to acquire its present value did not bear as heavily on some classes of property as upon others better able to resist competition.

The classes of property least able to resist a loss to property in land will gain most when this value is restored to the market.

In the redistribution of this land value the first general effect will be an evening up of all values to the general level provided by natural laws ,and when this is accomplished the value that may remain will go to every class of property according to the proportion that each sustains in the entire fund.

This natural level to which all value now below it must first be raised is the level of monopoly, and present monopoly prices will not advance until after every other competitive price has come up to the monopoly level.

The products of common labor will therefore make the greatest gain because common labor acted as a buffer against which competition expended its greatest force, and other labor did not suffer loss until common labor suffered all it could bear.

We are now at the point from which we may go back to the law of distribution and trace this forty billions of value according to this law.

It was demonstrated that the activity of social forces, dividing into thousands of occupations, gave rise to a sum of value which is in the control of society, and which appears first in the market as the retail price of goods and goes back to compensate the social forces producing the goods.

The activity of these social forces gave rise, also, to a certain quantity of products which were sent to the market in a constant stream to find their value.

It is the chief function of money to take up value from the general fund of society and measure it out to this stream of commodities as the laws of evolution prescribe.

Money acts as a measure that takes up its measure of value, no more and no less, and when full of value pours it out to anything for which it may be exchanged. In this manner the value free to circulate is distributed to goods as they come to market, and from this start the same value is distributed to pay profits and wages. The point now to consider is that the wages of labor and the cost of production is less than the value of the product in the

market. The reason for this condition is found in the fact that wages are based on common labor and only advance as co-operation replaces individual efforts, and as new methods and machinery are put to use. Labor is paid only what it may earn working independently, because some such workmen are outside and ever ready to take the places of other workmen, and, therefore, wages do not rise in proportion to their gain in power from the use of tools and machinery. Wages originally, before employers came into the market and when each man was an individual worker, were only sufficient to support a simple life. Wages could only advance as productive power increased and then only by the corresponding increase in value returning to labor. So long as some workmen were not taken into new development their competition held wages down and the gains in productive power became the profits of employers and traders.

The advance in wages, therefore, must come from profits, because as the power of labor increased the effect was to increase the total and general value, and since this value could but increase the prices of products its effect was to enlarge profits. It is a law of distribution that before wages may rise generally these profits must be so general and in such quantity, and be so distributed and used for new development, as to call all labor into the market and do away with the competition of the unemployed.

Hence, so long as there is a margin of labor at cheap employments, competing for value in order to live, profits refuse to distribute themselves in higher wages and remain to augment the wealth of employers and merchants.

It is clear that although five workmen who co-operate will produce a greater result than five workmen at the same task working independently, it does not follow that they will necessarily be paid more wages for the greater product.

This extra payment of wages depends upon the redistribution of profits, and when we remember how the value of land is a graveyard for profits, we find why wages advance with such difficulty above the lowest levels at which a man will work in order to live.

Land value is made up of profits that should have been redistributed from the beginning of improvements in production.

In order to realize what the effect will be from the redistribution of such an enormous sum of profits, now, and in bulk, by a

new system of taxation, we must consider what the result would have been, at this time, had these profits been regularly distributed instead of becoming a value of land. To do this we must attempt to distribute this value now by the same channels it would have been distributed and to estimate the increase of results.

We know that the value we have in circulation goes out to buy material and build all manner of structures and thus keep labor and machinery employed. We need, then, to estimate how much greater would have been the development, how much higher the wages and how much happier and better the people had the present value of land been free to circulate as other value now circulates. We may be reasonably sure that, in such an event, we would have had at least double the number and value of improvements and not less than three times as much paid out in wages as now.

We have already demonstrated that the mind can only admit of one conclusion as a result of driving value away from land by taxation and the property remaining must rapidly gain all the value land loses, except money, which can only fill up its measure from the general fund.

The first effect of the single tax, speaking generally, would be to at least double the value of all buildings, of all stocks of goods, and of all manner of supplies in the country. The question will now arise as to how it will be possible to dispose of stocks of goods and property at such a great increase in price to a public who can not buy the present stocks at present prices. To answer this question there is, as usual, two points to consider. The first is that there has been no increase in price where the whole market is considered, but that land has been cheapened by what other things have gained in price.

But there remains the important point that commodities in general will be very much higher while apparently the purchasing power of the mass of the people remains practically the same.

The increase in value we are considering must be measured out to goods by the use of money, and goods will not jump to the new price in an instant. The path of circulation for the distribution of the present value of land is as follows: When this value is set free it will become a part of the general fund of society first, and from there it will next increase the value of structures of every description, and this increase will be immediately communicated to materials used in construction and then other commod-

ities will gain the new price from which wages must get the additional value. But we find that it would not be possible to sell goods at a higher price than the one now prevailing without a market for consumption strong enough in value to buy the goods. We can not get away from the fact that higher priced goods can not be sold without a previous increase in wages so as to buy the goods, and we know that wages can not advance except they do so from the value distributed by higher priced commodities. Here, indeed, is a dilemma—a problem without an apparent solution, and we seem to have run our argument against a stone wall, and to expect the reader to believe that merchants will buy goods at a high price only to sell them at a certain loss. The only solution to this perplexing problem seems to be that the value with which to increase the purchasing power of the market so as to admit higher priced goods is loaned or advanced from some source ahead of production or simultaneously with it. We know from experience with panics that there is a simultaneous adjustment of higher prices and greater purchasing power by which prosperity returns into the market.

The prosperous times, following a panic, come in this order: There is first an advance in prices of leading commodities, coming in impulses a little at a time, from the value set free by the decline in value of land during the close of hard times. This advance in prices leads merchants and others to give buying orders in advance of the consuming power of the market. The merchants have gained a profit from this advance in prices on the stocks of goods on hand, and they do not increase their liabilities by giving orders to this amount. From these advance orders follows an increase in production all along the line of higher priced goods, which calls out labor, puts mills and factories in operation, and supplies the required value to buy the goods. The wage fund is, therefore, increased by these orders for goods, and if every merchant orders new goods only to the extent of the profit he has gained from the increase in price on the goods he has on hand we may say that the total increase in value of goods has thus been advanced to make a new market for them at higher prices. Secondary occupations then become increasingly active and the construction of houses and factories and buildings of every description takes place and this again increases the wage fund and the consuming power of the market.

This advance of value, from merchant to manufacturer and from him to labor, is not a pure loan from capitalists, but is in reality an advance from society to one class who gain an increase in price of goods, and this class loans this value to the next, who then advance wages to labor before goods are sold.

In the case under consideration we have a fund of forty billion dollars' worth of value to advance from society to various classes of property-owners with which to create a new market in proportion to the new prices made necessary by this new circulation of value. We have now to understand that as soon as the investment feature of property in land is driven from the market the entire investing power of surplus value must be expended in the purchase of things that cause a demand for labor in some form. This expenditure must grow in volume by the continual redistribution of profits which will continually increase this demand.

As we have repeatedly shown, the present value of land has been built up from retained profits and has cost nothing, having gone to land-owners as a bonus from society. When this value seeks to return to its natural channels it must travel back in the way it came, according to the law of redistribution. Had this value never been held out of circulation it would have been redistributed to labor as other profits were redistributed, first by investment in secondary development, in new buildings and new construction of every kind, and this activity would call labor from primary production and would have increased the demand for primary products at the same time. This is to say that profits as they accumulate are expended for construction when the supply of goods begins to encroach on demand and to force down the price. The surplus value then goes into construction and new development and takes labor away from the production of commodities, thus cutting down the power of production in such lines and increases the power of consumption at the same time, and restores the market to an equilbrium.

These secondary workmen engaged in building and construction will call out new classes of workers in higher lines of development, as in the arts, in music, the drama and in professional services of all kinds.

The general fund of value should go out in greater and greater proportion to pay wages as more and more men are called from lower to higher ranks, and the demand for common labor

should rise in increasing ratio because the number of such laborers should be continually reduced while the demand for their services should continually increase.

The wages of common labor, which are now the basis of wages for all labor, would have reached a much higher standard if this process of redistribution had not been stopped by the rise in the value of land. In following the redistribution of this forty billion dollars' worth of land value, we must trace it along the lines it must have taken had it followed its natural paths.

The first effect of the release of this value by the single tax will be to add this sum to the general fund as a free value ready to be distributed and advanced to pay higher wages to labor and higher prices for goods and materials. The circulation of this value will begin with secondary development because when it was taken from the market it stopped secondary development. The first symptoms of this increase of value in circulation will be felt by a great advance in the value of buildings of all kinds. This advance in value will become a profit to builders, who will then advance value to material men and from these men the new value will flow to manufacturers and laborers. As an example, we will illustrate with a dwelling costing $1,500.00 to build upon a location costing $1,500.00, a total of $3,000.00, and returning an annual rent of $300.00, upon which the total value is based. The loss of $1,500.00 of land value would leave this property worth only $1,500.00 instead of $3,000.00, provided there was no gain in value from the general fund. But since the annual rent is not changed, the value of this property will not change, and, as a result, either land will refuse to surrender its value or else the buildings will gain the $1,500.00 of additional value.

A similar location can now be had by builders by the payment of taxes in advance, which is without cost, and since labor and material have as yet not advanced in price a building costing but $1,500.00 has a prospective market at $3,000.00, offering the builder $1,500.00 in profit.

The immediate effect of such a prospect of gain would be to start a wonderful activity in construction from every community all over the country and to send out advance orders for material of every description greatly in excess of any supply on hand and any present power to meet the demand. These advance orders

could not possibly be met by existing powers of production and a long line of materials would at once begin a remarkable rise in prices. This would stimulate every line in the trades allied to construction and would call upon all other lines for supplies and communicate higher prices for products of every description. We would then discover that with a normal demand we speedily reach the limit of the labor market, and reach a point where the anxiety of employers to secure profits impell them to bid up wages to the highest price the profit will permit.

By way of illustration, yet us assume that the increase in value of improvements calls out fifteen billions of our total of forty billions as a start, and of this sum all but three billions gets into circulation by the demand for material and other supplies of products. We have shown that when profits once get into the hands of labor as wages they are added to the circulation as a permanent increase in that fund, going from hand to hand as a new demand for goods.

The only method by which this fund can be diminished will be by a decline in the value of labor products. If society could not keep up the supply of value, and had but the fifteen billions to spare, the prosperity in the market would be followed by a decline in prices during which property would take out its own share of the fifteen billions and products would take their share. But we have an additional supply of value of twenty-five billions to feed into the market as fast as the first impulse is distributed and hence as fast as wages require twelve billions to go into circulation twelve billions of the twenty-five are paid out to sustain the market value of buildings. In this way the entire fund gets into its many channels of distribution and allows wages to rise to the natural limit and take up all the value they sustain by their industry.

That this is the path of circulation becomes more evident as we recall the method by which the value of labor is fixed by society. We have been in the habit of believing that the value of labor determined the price of products and that the value of buildings was fixed by the value of the labor and material used in construction.

But this is decidedly false, and the truth is just the opposite. Wages are determined by the value society places upon the product and if this value is taken up by property in land wages must remain stationary or decline to the lowest limit as prices decline, and they may advance only from an advance in value of products.

Another point of importance is found in the law by which the market depends upon the consuming power of wages to buy back the products. According to this law, the market will compel profits to return to labor or clog the wheels of circulation and wages must rise to take up all profits save such a sum as is required to carry forward development.

It is worth while to note that unless the value of land returns to increase the value of improvements, of commodities and of wages, the single tax will fail because it will not effect property in land. The advocates of the single tax claim that this system of taxation alone, without considering what may become of land value, will bring down the value of land, but this is a serious mistake. They argue that where land is now improved to its full capacity the tax taken off of the improvement will offset the increase in tax on the location.

We come, then, to the question and ask, "Why will the value of land decline in such cases?"

Any improver who sought land that was forced upon the market by higher taxes could afford to pay the value of that land provided the improvements cost no more than they now cost. Or, conversely, take the new Stock Exchange Building in Chicago as an example of a location, fully improved, as it is by a modern office building. The present value of this location is about two million dollars, or more, and the value of the improvement, let us assume, cost one million dollars. Under a single tax the income would not be changed by an increase in taxes nor would the rents be diminished unless business declined or other buildings as well located were built at once, and similar locations are not to be found in Chicago.

How is the single tax to prevent the owner receiving three million dollars for this property? And if the building can be reproduced for one million dollars, the two million dollars will remain as a land or location value.

Anderson, Ind., Dec. 11, 1900.